Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.750	Iran	Rls210	Philippines	Pso40
Belgium	BFr50	Israel	NS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	Qr9.50
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	£1,400.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh6.50	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Kr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.50

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,010 Tuesday November 28 1989 D 8523A

FARM TRADE

Cairns Group aims at liberalisation

Page 10

World News

Colombian airliner explodes killing 107

Colombian Boeing 727 jetliner exploded in mid-air minutes after it took off from Bogota on a domestic flight to Cali, killing all 107 people on board. Police were investigating to see if the crash was due to a "terrorist act." Page 10

Aoun ready for fight

Gen Michel Aoun, leader of Christian forces in East Beirut, said he was prepared for "the final battle for the defence of Lebanon." Page 6

EC aid deal agreed

EC foreign ministers agreed on aid package by pledging $12.2bn to 66 of the world's poorest countries. Page 10

Baltic freedoms won

The Soviet parliament approved a law granting economic autonomy to the Baltic republics of Estonia, Latvia and Lithuania. Page 3

Radicals win vote

Hungarian voters, in a victory for opposition parties, opted by a narrow margin to delay the election of the country's next President. Page 3

French NF gains

France's right-wing National Front won a breakthrough in the first round of voting in two parliamentary by-elections. Page 3

President elected

Rafael Callejas, US-trained agronomist who favours an open market economy, claimed victory in the Honduran presidential election. Page 10

IRA bombs factory

Two Irish Republican Army bombs exploded at the newly privatised Short Brothers aircraft factory in Belfast, Northern Ireland, seriously damaging a commuter aircraft; there were no reports of casualties.

Whites back ANC

A group of influential white South Africans joined anti-apartheid activists and the African National Congress in a French-sponsored conference seeking to speed political change in Pretoria. Page 6

Blanco wins vote

Luis Alberto Lacalle, main candidate of the opposition Partido Nacional (Blanco Party), won Uruguay's presidency and toppled the ruling Colorado Party. Page 10

Comoros leader shot

President Ahmed Abdallah Abderahmane of the Comoros Republic, a group of islands between Africa and Madagascar, was assassinated amid reports of fighting in the capital, Moroni. Page 6

Fresh ethnic clash

Soviet troops sealed off Tskhinvali, in the Caucasus Mountains, after clashes between Georgians and Ossetians in the country's newest ethnic trouble spot.

Brady takes leave

US Treasury Secretary Nicholas Brady will take medical leave from December 14 until early January to have a hip replacement operation.

Magnum for $2,600

A 1946 magnum of Chateau Mouton-Rothschild, one of France's most celebrated red Bordeaux grand crus, set a world record price of FFr16,000 ($2,600) at an auction.

Business Summary

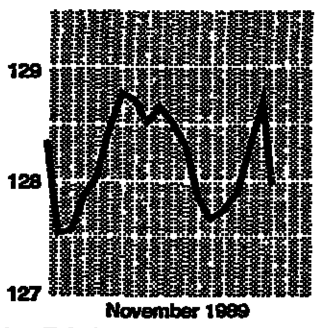
Peru agrees to IMF debt and inflation programme

PERU has agreed to resume payments to the International Monetary Fund, to which it owes $800m, and to accept a shadow economic programme aimed at curbing its raging inflation - according to President Alan Garcia. Page 26

UK gilts: Falls in UK government bond prices yesterday, amid worries that sterling's weakness could be inflationary, have capped a lacklustre gilt market performance over November. The market has given no message of confidence in the inflation-fighting zeal professed by the new Chancellor of the Exchequer, who took office on October 26. Capital Markets, Page 32

UK Gilts

FT–A All Stocks Index



PERKIN-ELMER, leading US manufacturer of advanced lithography equipment for semiconductor chip production is reported to be in talks with Japanese companies about the possible sale of its semiconductor manufacturing equipment division. Page 27

US Treasury bonds slipped after the Federal Reserve drained liquidity from the banking system, casting doubt on whether it had eased monetary conditions last week as had been thought. Page 32

POUND fell by nearly 3 pfennigs against a strong Deutschemark raising fresh fears that the Government may have to raise bank base rates again. Page 26

PARIBAS, French investment banking group, triggered a 2 per cent rise in its offer for Compagnie de Navigation Mixte, food to financial services conglomerate, by moving into the market to buy shares above its previous bid price. Page 27

THE Ferranti International Signal affair claimed its latest victims when it emerged that Sir David Checketts and Mr Joseph Zilligen, both former main board directors of International Signal & Control Group, had resigned. Page 27

JAPAN: The profits of Japanese trust banks are being squeezed by rising interest rates. In the six months to the end of September, the pre-tax profits of seven trust banks rose by 9.6 per cent to Y366bn ($2.55bn). Page 30

BRITISH Island Airways, charter airline quoted on the Unlisted Securities Market, has flown into major financial turbulence because of the rise in UK interest rates and the slump in the holiday charter market. Page 27

GAS: West German chemicals company BASF is considering connecting to East Germany a DM750m ($420m) pipeline it is planning to carry North Sea natural gas to southern West Germany. Page 2

SOUTH Korea is to provide $4bn in aid to its textile industry, with the aim of becoming the world's biggest textile exporter. Page 8

CARLSBERG, Danish beverages group, forecast a short term decline in profits as a result of investments and other adjustments necessary to meet intensifying international competition. Page 28

Kohl to detail three-stage plan towards German unity

By David Goodhart in Bonn

MR Helmut Kohl, the West German Chancellor, will today spell out a three-stage plan towards German reunification, which would involve a stage of loose "confederation" before full unity.

His speech during the Bundestag debate on the budget will lay down three steps to unity: free elections in East Germany; the upgrading of the existing inter-governmental committees grouping the two Germanys and the creation of some new ones; full unification.

Currently some 22 committees bring together officials from Bonn and East Berlin, with the most important covering transport, the environment and telecommunications.

The idea of working towards a confederation by strengthening these committees has already been floated by Mr Hans-Dietrich Genscher, the Foreign Minister.

While the path envisaged by Bonn remains unclear, the present structure would presumably have to be crowned by a "super-committee" dealing with overall political relations between the two states.

Mr Kohl outlined his three-stage plan to a meeting of the Christian Democrat/Christian Social Union Bundestag committee, stressing that the goal of eventual unification could only be fulfilled after free decisions in both Germanys.

His speech is unlikely to go beyond laying down a path which has been openly discussed in Bonn since the opening of the Berlin Wall.

He is unlikely to provide any details of the envisaged timescale and will stress, for the benefit of interested allies, that unity is envisaged only within the context of a united Europe.

He is not expected to call for a conference of the US, the Soviet Union, Britain and France which still have legal veto over unification.

The idea of working towards a loose "confederation" through the committees is understood to be acceptable to the East German reformist leadership and could be formalised in a matter of months.

In Bonn and East Berlin, it is envisaged that the two Germanys will remain members of opposing security pacts, so the committees would not discuss foreign policy or security issues.

The East German leaders remain in principle opposed to full unification, except in the distant future, but it is by no means certain that this will remain so after free elections.

The main right-of-centre parties in West Germany are in favour, as is the left-of-centre SPD, but with greater reservation.

EC trade concessions, Page 26

Komarek emerges as new star of Czech opposition

By John Lloyd, Leslie Colitt and Judy Dempsey in Prague

CZECHOSLOVAK workers went on strike for two hours yesterday in a resounding response to opposition calls for a vote of no confidence in the country's Communist Party leaders.

The strike was observed in most of the country, particularly Prague, where streets were teeming with half a million marchers, hooting cars, Czech flags and a carnival air.

The protest, called by the Civic Forum movement as a virtual referendum on ending one-party rule, took place only hours after the Communist leadership carried out its second reshuffle in three days, dropping three more hardliners.

The tumultuous day also saw the emergence of a new opposition star with the potential to become the most serious challenger yet to the faltering Communist regime.

Dr Valtr Komarek, who heads the Economic Forecasting Institute, was hailed by the crowd in Wenceslas Square yesterday when he called for the formation of a coalition government of experts.

Dr Komarek, 59, told the cheering protesters that "if it is true that good nations have good governments, then Czechsolovakia should have the best." He may lead the opposition Civic Forum team which will today press its demands for an end to the Communists' leading role, free elections, a market economy and a new constitution.

In a rush of other developments:

- The political censorship laws were scrapped.
- The head of Czech TV, Mr Jan Bateria, resigned and was replaced by the government spokesman, Mr Miroslav Pavel.
- Special hospitals reserved for the party and government elite were promised to be handed over to the health ministry for general use by February.
- Mr Adamec asked Mr Gustav Husak, the president, to examine all cases of political prisoners, believed to be 18.
- The Socialist Party, after 40 years' of virtual subservience to the ruling Communists, called for free elections soon after a period of genuine coalition government.

Czech pen defies party sword, Page 2; Moscow may reassess 1968 invasion, Page 3.

Morgan Grenfell agrees to £950m Deutsche Bank offer

By David Lascelles, Banking Editor, in London

DEUTSCHE BANK yesterday proposed one of Europe's most high-powered banking combinations by launching an agreed £950m ($1.48bn) bid for Morgan Grenfell, the City of London merchant bank.

The bid, which had been widely expected, will link West Germany's largest bank with one of the top names in corporate finance. It will also produce an asset management group controlling a total of £48bn of funds.

Deutsche Bank's move came in response to an attempt by Banque Indosuez of France to buy 25 per cent of Morgan Grenfell. Indosuez is expected to announce today that it is withdrawing from the fray. Willis Faber, the insurance broker which owns 10 per cent of Morgan and was due to vote on a proposed sale to Indosuez tomorrow, said it would propose an adjournment to consider Deutsche's offer.

Mr Alfred Herrhausen, Deutsche Bank chief executive, and Mr John Craven, Morgan chairman, both described the deal as "historic." For Deutsche, it marks its first move into the merchant banking business, and for Morgan it will be the end of 151 years as an independent house.

The bid values Morgan shares at 550p each, which was viewed as generous by City of London analysts. Morgan shares, which have been battered by a series of losses and scandals, have never traded above 500p, the price at which they were issued when Morgan became a listed company more than three years ago. Recently, they have strengthened on Morgan's much improved profits and bid speculation.

Mr Herrhausen said: "Together we will form an unrivalled and powerful team, and give the enlarged Deutsche Bank group a leading position in Europe." Deutsche has owned 4.9 per cent of Morgan since 1984, but Mr Herrhausen said that until now the time had not been right to make an all-out bid. He had begun to consider the bid last April, he said.

Morgan Grenfell will remain an independent unit within the Deutsche Group, with four Deutsche Bank directors on its board. Mr Craven will also join Deutsche's main board, where he will become the first foreign member. Arrangements are being proposed for profit-sharing incentives in order to retain Morgan staff. Mr Craven said the deal "had the full and enthusiastic support" of Morgan employees.

Phoenix Securities, Morgan's subsidiary specialising in financial institutions, will be bought out by its management. Phoenix was founded by Mr Craven and sold to Morgan when he became chief executive. A listing may also be sought for Morgan's asset management business within two or three years.

The deal, for which shareholders can choose cash or loan notes, will enable top Morgan staff to cash in a profit of £27m on their stock options. Mr Craven will receive several million pounds for convertible loan stock he owns in the bank.

The foreign takeover of a leading City merchant bank, inconceivable 10 years ago, is unlikely to face any regulatory obstacles from the Bank of England.

Slow to strike but sure of aim, Page 24; Lex, Page 26; London Stock Exchange, Page 41

Deutsche Bank chief Alfred Herrhausen in London yesterday

Herrhausen swallows a bank before lunch

By Andrew Fisher and David Lascelles in London

MR Alfred Herrhausen lunched in London yesterday after swallowing Morgan Grenfell. Looking slim, elegant, and younger than his 59 years, he ate a decent meal.

Was Deutsche Bank expanding a bit too quickly? "No," he replied. "You have got to be quick. The big ones will swallow the small ones, and the fast ones will swallow the slow ones."

He was particularly pleased to announce that Mr John Craven will become the first foreign member of Deutsche's board, scotching speculation that the Morgan chief might move on. "People were always asking me, 'When will you have a foreigner on the board?' I said, when the time is right. Now it is."

Mr Herrhausen, chief executive (speaker) of Deutsche Bank, evokes respect, envy, and plenty of irritation among fellow German bankers and industrialists. The respect comes from the bank's size, success and status, while the envy and irritation stems from the fact that he often seems to be the German financial community's sole spokesman on matters as diverse as Third World debt, the ethics of business and German reunification

Continued on Page 26

Leader of opposition in India may be PM

By David Housego in New Delhi

THE Indian Parliament was dissolved last night after the severe losses suffered by Mr Rajiv Gandhi's ruling Congress Party in the general election, raising the prospect that Mr Vishwanath Pratap Singh, the opposition leader, would be named as the country's next Prime Minister.

Mr Gandhi, however, remains as caretaker Prime Minister and held consultations with several Congress *members of parliament*. He also called chief ministers of Congress-led state administrations to a meeting in Delhi.

The Congress Party took about 200 seats making it the largest single party. Its chances of forming a government virtually disappeared, however, when the Hindu militant BJP and the Marxists said they would refuse to back the Congress Party.

These two groups will have a pivotal role in the new parliament, with the BJP holding close to 80 seats. Both confirmed that they would support a minority National Front administration. Meanwhile, colleagues said that Mr Singh would be confirmed as the leader of the National Front, a grouping of five opposition parties, and its choice as Prime Minister, at a meeting of its elected parliamentary members tomorrow.

The opposition leadership is increasingly convinced that following the election results President Ramaswamy Venkataram will turn to Mr Singh to form the next government. But having won only an estimated 150 of the 525 seats contested the National Front would be a minority administration

Continued on Page 26
Details, Page 4

Norgren dismissed over alleged involvement in insider dealing

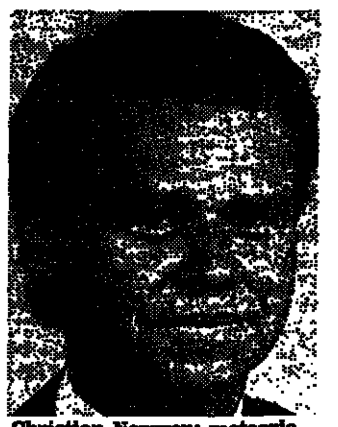
By William Dullforce in Geneva and Janet Bush in New York

MR Christian Norgren, chairman of Bank in Liechtenstein and president of the foundation that administers the princely house of Liechtenstein's wealth, was dismissed from both positions yesterday for alleged involvement in an insider trading affair.

The boards of the bank and the foundation said in a joint communiqué that suspicions had been confirmed that the 48-year-old Swedish banker had misused information he had received as a board member of Asea Brown Boveri, the electrical engineering group.

The information was used, they said, to buy shares and options in Combustion Engineering before ABB's takeover offer for the US power and process engineering company had been officially announced.

Mr Norgren has had a meteoric career as an international banker, starting with seven years at the Wallenberg-controlled Skandinaviska Enskilda Banken in Stockholm, moving on to the Scandinavian Bank, London.



Christian Norgren: meteoric

As head of the foundation, which handles the royal family's financial affairs, and chairman of its bank, Norgren supervised assets including palaces, vineyards, forests, rice fields, art collections and securities worth billions of dollars.

Liechtenstein has no law against insider trading under which US authorities could seek legal aid in unravelling the details of the deal. But they can ask for the co-operation of the Liechtenstein Government, if they can show a criminal offence has been committed.

Mr Norgren could not be reached for comment yesterday at his home in Vaduz, the capital of the tiny principality.

From its Zurich headquarters, ABB said Mr Norgren had resigned from its board. In Stockholm, Asea, the Swedish company which merged with Switzerland's Brown Boveri to form ABB in 1987, said it had also received Mr Norgren's resignation from the board.

ABB disclosed its $1.6bn bid for Combustion Engineering on November 13. Three days later the US Securities & Exchange Commission (SEC) charged that Finacor Anstalt, a Liechtenstein company, had used inside information to buy call options in Combustion Engineering between November 9

Continued on Page 26

MARKETS

STERLING
New York close
$1.5580
London:
$1.5605 (1.5625)
DM2.7925 (2.82)
FFr9.5375 (9.625)
SFr2.505 (2.5225)
Y223.75 (224.25)
£ index 86.2 (86.7)

GOLD
New York: Comex Dec
$414.1 (419.3)
London:
$415.25 (416.25)

N SEA OIL (Argus)
Brent 15-day Jan
$18.425 (−0.025)

Chief price changes yesterday: Page 27

DOLLAR
New York close
DM1.7892
FFr6.1105
SFr1.6030
Y143.25
London:
DM1.79 (1.805)
FFr6.1125 (6.16)
SFr1.6045 (1.615)
Y143.35 (143.45)
$ index 69.1 (69.3)
Tokyo close: Y143.35

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%
3-mo Treasury Bills:
yield: 7.87%
Long Bond:
$102\frac{13}{32}$
yield: 7.90%

STOCK INDICES
FT-SE 100:
2,224.3 (+1.9)
FT Ordinary:
1,753.2 (−1.7)
FT-A All-Share:
1,115.01 (+0.1%)
New York close
DJ Ind. Av.
2,694.97 (+19.42)
S&P Comp
344.65 (+0.68)
Tokyo: Nikkei
36,881.53 (+397.06)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{8}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Dec $90\frac{27}{32}$ ($91\frac{21}{32}$)

MARKET REPORTS: CURRENCIES, Page 48; BONDS Page 32-33; COMMODITIES, Page 40; EQUITIES, Pages 41 (London), 49 (World)

CONTENTS

FLN still looks to the past as Algeria seeks way forward

A year after the October 1988 riots, Algeria's Front de Libération National seems incapable of deciding whether to fight for reforms promoted by President Chadli Bendjedid (left) or to go on living in its glorious past. Page 6

Yugoslavia seeks more EC aid to reform economy

By David Buchan in Brussels

THE YUGOSLAV Government yesterday made renewed promises about political pluralism as it sought fresh European Community help to create a market economy.

Speaking before a formal Co-operation Council meeting with his EC counterparts, Mr Budimir Loncar, Yugoslavia's Foreign Minister, stressed the Belgrade Government's belief that "political pluralism and a market economy are inter-related". But, he said, it was not decided whether political reform should take the form of "a multi-party system or direct democracy".

At present, the country has one party, the League of Communists whose leadership and that of the state presidency rotates between appointees of the country's eight republics and provinces.

Mr Loncar said certain republics had prejudged the issue, notably Slovenia which now permitted free political association, but the Communist congress next January would have to take a national view.

The dramatic events in Eastern Europe have sharply raised EC expectations of political change in the Communist world as a whole, and Yugoslavia may come under some pressure to reform its political system as the price of further aid. On the other hand, the Community will be wary of creating instability in a country with such wide economic and ethnic differences.

Yugoslavia would like to become a full member, if not of the EC itself, then of the broader market embracing the EC and the European Free Trade Association in the "European Economic Space".

Though welcoming the fact that various East European countries were now "on the reform course which Yugoslavia had long followed", Mr Loncar admitted anxiety about competition for EC attention.

Yugoslavia has asked the European Commission and EC governments for various supplements to its 1980 Co-operation Agreement, including contributions to a $1bn long-term loan fund to "recapitalise" the banking system and a further $1bn in European Investment Bank loans (half for banking and half for industry).

The Czechoslovak pen defies the party sword

After party power in Hungary, workers power in Poland and peoples power in East Germany, Eastern Europe witnesses media power. **John Lloyd and Judy Dempsey report**

AT THE Czech School of Applied Art on People's Militia Avenue, the students who occupy the high-ceilinged studios by night and day are working in teams on posters, stickers and banners.

Every day, explains Ivan Adam, a strike committee leader, they react to the flow of events. Whatever message must be put out, they stencil or paint on paper or cloth. Runners then post it about town.

To an even greater extent than the political struggles of other East European countries, the battle for Czechoslovakia is being fought out through the media, in the broadest sense.

On Saturday, the student poster-makers had to react to the claim on television by the Education Minister that their strike would end on Monday. Hundreds of stickers were reproduced saying: "TV lies: the strike won't end on Monday."

Outside, half a dozen students pasted them on cars and trucks as they stopped at the lights, with the amiable agreement of drivers.

Down by the river, in the Manes exhibition hall, the unofficial artists committee formed only a week ago is in constant session.

They send out teams to regions starved of news. "We are trying to set up information centres wherever we can, and equip them with video machines and put up posters," says Zdenek Rajnis, an architect.

A 20-minute video showing police brutalities of the November 19 demonstration plays continuously to a large crowd outside. The tape is being copied for distribution everywhere. Two photocopiers have broken down: a service engineer, tinkering with them in his own time, begs not to be named: "It's too soon for that."

The Prague theatres have been on strike since last weekend. Actors, inspired by the November 19 events and the fact that drama students were the first to protest, have scrapped their plays in favour of nightly agitprop.

On Saturday night, the Vinohradske Theatre was packed, with hundreds outside. A leading actor, explains in his dressing room how "we use poetry, songs, letters, bits of plays which are appropriate . . ."

"We always offer people their money back because they are not seeing the play they paid for (it was Bulgakov's Master and Margarita) but no one has ever taken it."

The entire company comes on stage when the lights go down. A screen above the stage shows television film of Mr Miroslav Stepan, the Prague party chief, being shouted down by workers: the audience roars with laughter.

The press is cautiously freeing itself. Svobodne Slovo, the Socialist Party newspaper lucky enough to have offices on Wenceslas Square, thus offering a podium for Alexander Dubcek and Vaclav Havel, has in the last 10 days switched from slavish backing of the regime to support for the Civic Forum. So has Lidova Demokracie, the paper of the other legal non-Communist grouping, the People's Party.

But television, which beams into nearly every Czech living room, has been the main battlefront. Just as television came to play a vital part in the events of summer 1968, so too over the past few days, it has suddenly assumed a crucial role in informing the public of the wave of protest.

It is a dramatic change.

Until recently, television journalists faced a whole series of censorship hurdles. Any idea for a programme had to be vetted by the chief editor. In the studio, the audience was vetted, the technicians and cameramen told what to do. The censor's scissors followed the programme into the editing room.

Even if the producers had managed to overcome these hurdles, they still had to face the final one: "Our programme could be simply canned. Consigned to the archives. Never used," one editor explains.

Pent-up frustration among broadcasters at last burst out on Saturday, November 19, the day after hundreds of students were beaten up by the police.

Television staff fought back. They had been ordered to repeat only reports issued by CTK, the official news agency, about the demonstrations. They were told to report that the demonstrations had been organised by a group of teenagers who had no support.

But the staff knew better. Many had been on the streets the previous Friday. They also had at their disposal a film, made by students, of what had really happened.

Mr Mr Libor Batria, deputy head of television, at first refused to lift the censorship. Then on the Sunday, editors telephoned each other.

A meeting was held on the Monday at the television centre. Other meetings were held by the local party and trade union organisations. They all demanded that the public should be informed; that the students film be broadcast; that the truth be told.

As Wenceslas Square became the meeting point for more mass demonstrations, television staff issued a three-point programme which demanded that the public be told about the police repression. And they expressed no confidence in the leadership of the Czechoslovak Communist Party.

The die had been cast. Last Wednesday, a 120-man strike committee was set up in the television centre. Fearing that television would move over to the side of the streets, the party leadership agreed that television could broadcast, live, the Wednesday evening demonstration.

But the transmission was repeatedly interrupted. And then, as the camera recorded live a worker, who was highly critical of the regime, the plug was suddenly pulled. He had mentioned one man: Dubcek.

The next day, the strike committees applied more pressure. So did the party. Over 1,000 police were sent to Television Centre to "protect" it.

"But we needed no protection," a technician explained. "This is a peaceful revolution. There is no violence here."

Following a hastily-convened meeting of local Communist Party organisations, control of television was transferred from the control of the party's central committee to the Government.

From then on, television was almost freed form the shackles of censorship. It showed workers shouting down Mr Stepan; it also broadcast live the phenomenal meeting on Saturday in which Mr Dubcek and Mr Havel addressed half a million people.

That same evening, the people saw Mr Havel being interviewed on television. The next day, they saw Prime Minister Ladislav Adamec, Mr Dubcek and Mr Havel share a platform.

Eager Czechoslovak hands reach out for the latest information

BASF may pipe gas to E Germany

By Peter Marsh

THE BIG West German chemicals company BASF is considering connecting to East Germany a DM750m (£270m) pipeline it is planning to carry North Sea natural gas to southern West Germany.

Mr Ronaldo Schmitz, BASF's board member for finance, said in an interview that West Germany's chemical industry had much to offer in efforts to speed up industrial changes in East Germany. But any detailed co-operation projects would have to await further signs of political reform.

The pipeline will run for 560km in a curve from Emden, on the north coast, to Ludwigshafen, passing close to the East German border. It is due to be finished in 1993.

BASF intends to use a third of the 8bn cubic metres annual capacity to channel fuel from the Norwegian or UK sectors of the North Sea to its own chemical plants. The rest of the gas would be sold to other users.

The company is already considering selling some of the gas to Austria and is now discussing a connection to East Germany.

● BASF and its two fellow giants in the West German chemicals industry, Hoechst and Bayer, are discussing a novel joint venture in plastics waste recycling.

The three companies plan to build in the next year a demonstration plant that can separate different types of plastic from domestic waste and reprocess this into usable material.

Only about half a million tonnes of the 12m tonnes of plastic thrown away each year in Western Europe is recycled. Most of the material is put with other rubbish into landfill sites which are rapidly becoming filled up.

Europe's big chemical suppliers at present have only a small degree of involvement in plastics recycling.

Under the plans for the German project the three companies would each contribute a share of the DM20m-DM50m the recycling plants would cost – it would recycle about 15,000 tonnes a year of plastics and be sited in a large city such as Cologne, Frankfurt or Düsseldorf.

Although the size of the plants would be relatively modest, Hoechst, Bayer and BASF feel it could give a powerful boost to recycling and encourage others.

Irish plan for 1992 on a big scale

By Kieran Cooke in Dublin

WHAT IS being described as the biggest single development programme in the history of the Irish state was outlined yesterday by Mr Albert Reynolds, the Finance Minister.

It involves a total of I£8.69bn (£7.85bn) over the 1989-93 period, and is aimed mainly at infrastructural development to enable Ireland to compete in the post-1992 single European market. Brussels is contributing I£2.86bn of structural funds, the state I£3.6bn and the private sector (it is hoped) a further I£2.2bn.

"This will not solve all Ireland's problems of peripherality within the EC but it will make a significant contribution," said Mr Reynolds. Ireland is classified as a less developed or Objective One region within the Community.

Mr Reynolds said that Ireland's share of structural funds from Brussels had exceeded that of all other regions in the less developed category. "Ireland's population represents about 5 per cent of the total in the Objective One regions but on a per capita basis we are receiving more than 10 per cent of the funds for those regions designated by Brussels," he said.

Mr Reynolds has hinted at changes in Ireland's corporation tax, including the 10 per cent rate for the manufacturing sector. Low corporate taxes plus various other incentives have been a big factor in luring foreign companies.

Mr Reynolds said tax yields from the corporate sector had to be increased. Only 3.2 per cent of total Irish taxes came from corporate income, less than half the EC average.

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EUROPEAN NEWS

CZECHOSLOVAKIA'S FACTORY WORKERS JOIN THE RANKS OF THOSE CAMPAIGNING FOR CHANGE

Plant tries to exorcise an evil memory

By John Lloyd in Prague

AT 9.30 yesterday morning a tractor driver named Kos attached chains to a desk which, curiously enough, had been cemented into a factory office wall. He then ripped it out. It was one of the more symbolic acts of the Prague day.

The desk has a history, of course. On it, 21 years ago, 99 workers from the factory – the Praga plant, part of the big CKD *engineering group – wrote* a letter to the Soviet authorities asking them to safeguard socialism in Czechoslovakia. It gave the invasion its essential proletarian excuse.

On the fifth anniversary of this act, the desk was embedded in a wall outside the main entrance in honour of the 99; it has been there ever since. In the past 10 days, this bizarre monument had become very vulnerable.

It was removed, however, not by the will of Praga's workers, but on the order of the director, Mr Miroslav Kolar. He sent Mr Kos with his tractor to wrench it off the wall.

The workers were upset about this. Gathering in the main yard at noon for their symbolic strike – they decided to make it only half an hour, rather than the two hours recommended by the Civic Forum – they heard Mr Kos say he was ordered to do it. "Maybe it was too soon, but anyway, it should go."

The strike committee, in command of the microphones in the yard, were determinedly democratic. They brought Director Kolar to the little podium: a big man, his stomach straining at a hopelessly inadequate suit, he talked about a "complicated situation", hoped that the strikes would not make the workers forget how to work and mentioned that they were behind time with 400 gearboxes. An instant chant: "Who is guilty?" "Well we don't need to talk about that," he said and left the microphone to tepid applause.

> The desk, said the plant director, had been removed for its own protection

The Praga meeting made the capital's mood crystal clear. All speakers who called for support for Civic Forum and for free elections were cheered. The one or two who tried to cut against the mood were booed and whistled. One man, 40 years at the plant, played the honest fool. "Speeches are for philosophers, politics for the Prime Minister. I'm a worker and I know about my work," he said; he went down badly.

A young woman bellowed into the microphone that she would never support *the Civic Forum because it was led* by Vaclav Havel, a "provocateur"; she went down very badly.

But Mr Rudolf Mikes, a technician, was cheered when, following his director, he said: "We haven't got production problems, we've got political problems. We must talk about free elections and the end of the one party state."

At the end of the meeting, the strike committee were talking excitedly among themselves about the possibility of sending a new letter to the Soviet authorities, this time demanding that they apologise for the 1968 invasion.

Later, the director held a little meeting in a down-at-heel hall. The strike committee, politely, came too. Mr Kolar said he had had the desk removed because he feared it would become a focus for unruly behaviour. Asked if he thought workers felt pride or shame about the desk, he said it was a historic thing, it should be kept and put in the works museum where, after all, there were Nazi weapons on show as well as mementoes of the Czech resistance. It had been moved, he said, for its own protection. Except that Mr Kos had bro*ken it when he wrenched it off the wall.*

Mr Rudolf Piverka, a strike committee member, courteously disagreed. "We were really ashamed of that desk. We were going to negotiate it away. But," he said reasonably, "it's history and we should solve other more important things than desks."

Outside, workers from other CKD plants had blocked the broad thoroughfare and were listening to a speech denouncing Mr Bratislav Benda one of their number who on Sunday had been elevated to the Communist party presidium in a transparent effort to win over this crucial section of the capital's working class. "He's a careerist", shouted the speaker.

His comrades in the Praga plant have a desk for him.

Hungarians opt to delay presidential election

By Judy Dempsey

HUNGARIAN VOTERS, in a victory for radical opposition parties, have opted by a very narrow margin to delay the *election of the country's* next President until after next year's free parliamentary elections.

The final tally has yet to be officially confirmed, but Mr Imre Pozsgay, the would-be president from the ruling Socialist (formerly Communist) Party, admitted that the *results of Sunday's plebiscite* were a defeat for him.

Voters were asked to choose between presidential elections by universal suffrage on January 7 - which would have favoured Mr Pozsgay - or election of the head of state by a parliamentary ballot following the legislative elections in *which the ruling party* is expected to be humiliated.

Mr Pozsgay said yesterday: "I have to concede that if parliament chooses the president, then my chances of being elected are much reduced."

Hungary's Free Democratic Party, the second largest of the non-Communist political groups, had mounted an effective campaign against the idea of an early presidential poll.

It had argued that the opposition would have insufficient time to prepare, and the Socialists would have an unfair advantage.

In addition, they maintained that the idea of a president elected by the new parliament, or at least made more accountable to it, was more democratic.

Commentators said the Socialist Party, already facing a struggle to attract new members, can now almost certainly give up the idea of gaining the presidential mantle.

National Front makes unexpected gains in France

By Ian Davidson in Paris

FRANCE'S EXTREME right-wing National Front has achieved a spectacular and *unexpected breakthrough* in the first round of voting in two parliamentary by-elections over the weekend.

The two contests, which were required to fill vacancies caused by elections to the Senate earlier this year, will be settled in a run-off next Sunday, between the National Front and one of the conventional conservative parties. In both cases the Socialist candidates came a poor third.

The results, which are a serious setback for the Socialist Government, recall the shock of the first round in last year's presidential elections, in which Mr Jean-Marie Le Pen, leader *of the National Front*, unexpectedly broke through with a score of over 14 per cent.

Sunday's poll undoubtedly owes a great deal to the recent eruption of controversy over the relationship between French society and the large Moslem immigrant community, which has fuelled demands for a parliamentary debate on immigration.

The immediate cause of the controversy was the demand by three Moslem schoolgirls that they be allowed to wear their traditional head-scarves in school, in the face of strong legal and historical tradition that schools are lay institutions, in which religious emblems may not be worn.

But it seems clear that this particular case has released pent-up anti-immigrant feelings of a more general kind.

Mr Lionel Jospin, the Education Minister, has adopted a muddled pragmatic posture, opposing the wearing of head-scarves in class, but taking the view that Moslem children should not be excluded from *school for wearing head-scarves.*

The latest opinion poll shows that his attitude is unpopular with two-thirds of the French population. But it also suggests that many Frenchmen are less concerned with the question of religious emblems in France's lay schools, than with the mere presence of the Moslem community: nearly half of those questioned would wish the immigrants to "go home".

Mr Jospin sought a way out of his dilemma, by referring the matter to the Conseil d'Etat, the supreme arbiter of administrative law. But the Conseil yesterday issued a *judgment of Solomon*, which effectively leaves the matter unresolved.

It said the wearing of a head-scarf was not in itself incompatible with the lay principles of the school system, provided it was not worn in an ostentatious manner, "so as to constitute an act of provocation, proselytism or propaganda".

In Marseilles, Mrs Marie-Claude Roussel, of the National Front, won more than 33 per cent of the vote, not far behind Mr Jean-Francois Mattei, of the UDF centre-right grouping, who won 39 per cent. The Socialist Mrs Michele Poncet-Ramade scored 13 per cent.

In the constituency of Dreux, west of Paris, Mrs Marie-France Stirbois, of the National Front, came out on top with more than 42 per cent, followed by Mr Michel Lethuillier, for the Gaullists, with 24 per cent. The Socialist candidate won only 18 per cent.

'Eggheads' and steelmen discover a common cause

By Leslie Colitt in Kladno

THE "eggheads" of Prague came to the striking steel workers in the grimy industrial town of Kladno and the welcome they got would have turned Western intellectuals green with envy.

Writers, actors, economists and a deputy to Mr Alexander Dubcek, were wildly cheered by a crowd of more than 10,000, including many young workers and their families. But the demonstrators jeered and whistled at a Communist party official who addressed them as "comrades."

The writers and actors were repeating what the Czech literary and theatrical elite did more than a century ago when they united a people against a common danger. In those days it was the German language which threatened to eliminate the Czech tongue from public life. Today it was a badly weakened Communist party which people feared could still lash out in desperation.

Clad in proletarian khaki, the intellectuals stood on the balcony of Pruchy Theatre in Kladno, a steel town of 80,000 22km from Prague. They and the roaring, clapping crowd below had at last found a common language signalling a new turn in the remarkable political upheaval sweeping Czechoslovakia.

Mr Ilja Prachar, director of Prague's renowned Vinohrady Theatre, called for the Communist party to quit power and was greeted with a roar of approval from below. The crowd held up banners and *placards calling for "free elections"* and an end to "only one party."

Mr Vladimir Dlouhy, an economic adviser to the opposition Civic Forum, got a huge hand. The crowd listened raptly as he told it that Communist Czechoslovakia had thrown the market "out of the window" and it had returned via the "back door" in the form of the black market, a shadow economy and speculators.

"We want good money so that we do not have to feel like poor people when we go abroad," he said to enthusiastic applause.

Mr Zdenek Silhani, who led the 14th emergency party congress held after Mr Dubcek was spirited off to Moscow following the 1968 invasion, said the party had forfeited its chance to do something for the people. "It slipped through their fingers," he declared. "We must now build our society on democratic foundations."

His call for party reformers to join the democratic opposition movement met with repeated chants of "strength in unity" from the crowd.

It was incredible, he said, that parliament had not uttered a word on the political crisis. "Shame, shame," the people rejoined in one voice.

His greetings to the crowd from "Comrade Dubcek," who, he noted, supported the Civic Forum movement, met with choruses of "Thank you, thank you."

But a hapless party member of the factory strike committee, was deluged with whistles and catcalls when he addressed the demonstrators as "comrades." He said the crisis could only be overcome by "political action" and evoked even more jeering from the strike supporters. His final remark calling for a "long life for socialism" triggered a mass response of "too late, too late."

Most workers at the sprawling Poldi Kladno steelworks, one of the country's largest, remained inside the factory gates where entire departments halted work from noon till 2pm. Younger steel workers, their families, apprentices and secondary school pupils made up the majority of those assembled on the theatre square.

The arguments of the reform-minded intellectuals, led by the playwright Vaclav Havel and transmitted by aroused young people, were gradually breaking down the wall of weariness and apprehension surrounding the workers.

Older men especially were afraid of the instability inherent in economic reforms. The noxious black smoke pouring from the Poldi I and II plants were to them a guarantee of work and security. It mattered little that much of the steel produced here merely added to a mountain of overproduction and could only be dumped at lower than cost prices in the West.

Their children, however, were hammering home the message that Czechoslovakia must return to its traditional values of democracy and industrial innovation if it is to regain its place among advanced European nations.

Moscow shows willingness to reassess part in 1968 invasion

By Quentin Peel in Moscow

THE Soviet Union appears to be moving rapidly towards a reassessment of its part in the invasion of Czechoslovakia in 1968, thanks to the overthrow of the hardline Communist Party leadership in Prague.

However, the far more sensitive question of German reunification is still causing soul-searching throughout the Soviet establishment and extreme caution in treating the parallel reform process in East Germany.

Within days of the upheaval in the Czechoslovak party ranks, several top Soviet figures have already admitted that the brutal termination of the Prague Spring should now be condemned.

However, the official attitude remains that it is not just the Soviet Union, but the whole Warsaw Pact, which must now admit the error of its ways.

"Probably we do have to *reassess something*," Mr Yuri Gremitskikh, a Soviet Foreign Ministry spokesman, said yesterday. "We are not alone. In Czechoslovakia they have to review the question, especially those who applied to the countries of the Warsaw Pact [for military assistance]."

His comments came on a day when Pravda, the official organ of the Soviet Communist Party central committee, directly linked the overthrow of the Czechoslovak leadership with the events of 1968 and blamed the old guard for "stagnation which was suffocating society."

"One thing is clear," Pravda's correspondent in Prague reported. "For the Communist Party of Czechoslovakia, and Czechoslovak society, the page dividing them from the events of 1968 has been turned."

In Rome, Mr Andrei Grachev, a top official of the Soviet Communist Party central committee, said that the Soviet leadership "solemnly declares that freedom of choice is one of the primary principles of our foreign policy," insisting that the Soviet Union would not interfere in Czechoslovakia, any more than it had in Poland or East Germany.

His remarks come only days after Mr Daniil Granin, a leading Soviet author, denounced the invasion of Czechoslovakia in an open letter to Czechoslovak friends, published in the weekly Moscow News.

"That was the first perestroika in the socialist countries, and we crushed it and slandered it. It was collective murder," he said.

The contrast between apparently eager Soviet press cover*age of Czechoslovakia, and* much more cautious treatment of the mass demonstrations and reforms in East Germany, is obvious.

However, at the weekend – for the first time in years – a leading newspaper dared to publish an article called The German Question.

"Yesterday the German question was a taboo subject for our institutions and for the press, since the end of the 1960s, and has continued to remain a blank spot in the knowledge of most Soviet citizens," said the Bonn correspondent of Izvestia, the Government's official newspaper.

"The question of a united Germany, which was considered pure propaganda, is now being discussed in the Federal Republic, England, France, the US and elsewhere as a possible reality of the future."

Despite that daring publication, Soviet officials remain adamant that the question of German reunification is simply not on the political agenda and insist that there can be no reconsideration of Europe's post-war borders.

That desire was one important factor behind the warm welcome given last week to Mr Tadeusz Mazowiecki, the Polish premier, who is equally adamant that borders must not be tampered with – for fear of German pressure on his Western frontier along the Oder-Niesse line.

The common fear of too rapid German reunification is also likely to be a leading issue – if publicly unstated – at the meeting between Mr Mikhail Gorbachev and President François Mitterrand of France, to be *held in Kiev on December 6.* The meeting comes three days after the US-Soviet summit in the Mediterranean.

President Mitterrand's personal envoy, Mr Jacques Attali, was in Moscow last week for top-level talks, covering both the French leader's plan for an East European development bank and the possibility of Soviet membership of the Council of Europe.

Western diplomats in Moscow see the sudden flurry of French activity as a clear sign of France's nervousness about the upheaval in East Germany and the perception that France and the Soviet Union have a common interest in maintenance of the *status quo*.

Breakthrough for republics

By Quentin Peel

THE Soviet parliament *yesterday approved a* law granting economic autonomy to the three Baltic republics of Estonia, Latvia and Lithuania, giving them effective independent control of their land and natural resources.

The law still caused stormy debate in the Supreme Soviet, where deputies warned of the "disintegration of the union" if it was allowed to pass unchanged.

It means that Moscow will keep half the taxes paid by state enterprises in the Baltic republics, but the republican governments will have control of their own economic development plans.

The law was greeted with enthusiasm by Baltic deputies as an acceptable compromise.

"We did not get all we wanted, like complete control over credit and monetary policy," said Ms Kazimira Prunskene, a leading economic expert in the Lithuanian popular front, Sajudis. "But this will help us build a union of a new sort with Moscow, and help us pull the entire country out of crisis."

Dr Leonid Abalkin, the deputy Prime Minister in charge of economic reform, said the experience of the Baltic republics would ease the transition to economic autonomy for all the union republics, which is supposed to take place from January 1 1991. The Baltic republics will have their own autonomy from January 1 1990.

● Nationalists in the Soviet republic of Azerbaijan yesterday launched a new republic-wide strike, including both oil refineries and railways, in protest at continued Moscow rule of the disputed region of Nagorno-Karabakh.

The Azerbaijan Popular Front said the indefinite strike had gone ahead because of Moscow's refusal to disband *its special administrative committee* which rules the enclave where the Armenian majority is demanding transfer to Armenian rule.

An earlier strike and rail blockade by Azerbaijani workers caused a shortage of both fuel and industrial supplies in Armenia and serious delays in the rebuilding programme following last year's Armenian earthquake.

As the Indian opposition sets about forming a minority government, FT writers assess how the country's electoral map has changed

Congress reflects ruefully on impact of 'north-south' divide

INDIAN politicians yesterday began taking stock of the dramatically changed political landscape that has emerged from the general election.

Apart from Congress's loss of over half the seats it had in the last Parliament – bringing its total to around 200 of the 525 seats contested – the most striking trend in the results is the resurfacing of the "north-south" divide that marked the 1977 elections.

Congress has emerged much stronger in the south, which will be the new heartland of the party, while it has been routed in the north, its traditional bastion.

In the south, Congress gained control of virtually all the seats in Andhra Pradesh, Kerala, Karnataka and Tamil Nadu (in alliance with the local regional party the AIADMK).

In Andhra, where simultaneous elections were held for the state assembly, it ousted the government of Mr N.T. Rama Rao, the head of the regional Telegu Desam party and chairman of the National Front group of opposition parties. Mr Rama Rao pointedly announced his Government's resignation early yesterday as a hint to Mr Rajiv Gandhi to do the same in New Delhi.

In Karnataka , where simultaneous elections were also held to the state assembly, Congress gained a two-thirds majority – thus imposing a *humiliating* defeat on Mr Ramakrishna Hegde, another senior Front leader and one strongly disliked by Mr Gandhi.

The results in the south reflect both a *disenchantment* with the *poor* performance of non-Congress governments in Andhra and Karnataka.

They also reflect the south's traditional anxiety to see a strong government in Delhi in the interests of national unity.

By contrast the wave against Congress enveloped the populous Hindi speaking states of the north, but more surprisingly Gujarat in the west and Orissa in the east. Congress also did much less well than expected in Maharashtra in the west where it seemed likely to win only 27 seats as against forecasts of up to 36. In Orissa, Gujarat and Madhya Pradesh the local Congress leaders handed in their resignations to Mr Gandhi yesterday.

The National Front, likely to emerge with about 150 seats in the new Parliament, picked up the bulk of its seats in Uttar Pradesh, Bihar, Rajasthan, Haryana and Orissa. These were seats won by the Janata Dal, the major constituent of the Front led by Mr V.P. Singh. With the southern regional parties making only a minimal contribution of about two seats to the Front's total, the Front in effect becomes the Janata Dal – *and thus a grouping of northern* farming interests, socialists and dissident Congressmen like Mr Singh himself.

Important for the Janata Dal in terms *of governing the country is that it* seemed to be heading for an absolute majority in the state assembly of Uttar Pradesh, the other big province in which state elections coincided with the general election.

On the opposition side, the most surprising feature of the results was the surge in strength of the BJP, the militant Hindu party that has campaigned *in favour of Hindu revivalism. The BJP,* gaining about 80 seats, did well in Madhya Pradesh, Rajasthan, Delhi, Gujarat – and in alliance with the extremist Shiv Sena – in Maharashtra.

The opposition gains across the north and in the east and west seemed to reflect a rejection of Mr Gandhi and a disenchantment with the government over a host of issues including inflation, corruption and a loss of touch of the leadership with grass roots opinion in the country.

But a feature that emerges strongly from this poll as it does from other other recent elections in India is the volatility of the Indian electorate.

At the national level, governments have now been overthrown in three out of the last four elections. In Tamil Nadu, the DMK regional party which won the state assembly election in February, failed to get a single seat only nine months later to the parliament.

The one state that has gone against this trend is West Bengal where the CPM, the Marxist party of Mr Jyoti Basu, improved its performance.

The election saw most opposition leaders win their seats. But on the government side several ministers, including some close to Mr Gandhi, failed to get returned.

Among them was Mr Buta Singh, the Home Minister, Mr Jagdish Tytler, the Minister for Food Processing, Mr K.Natwar Singh, Foreign Minister, and Mr Rajesh Pilot, Minister for Surface *Transport.*

For both the Janata Dal and the Congress, the election diminishes the number of contenders for the leadership of the two parties. On the Janata Dal side, *the poor showing* of both Mr Rama Rao in Andhra and – to a lesser extent – Mr Devi Lal in Haryana leaves the field much clearer for Mr V.P. Singh.

On the Congress side,the party's poor showing in Uttar Pradesh weakens the chances of Mr N.D. Tiwari, the Chief Minister of the state and long thought the most likely successor to Mr Gandhi, of taking over the leadership of the party. A front-runner now is Mr Narasimha Rao, the Minister for External Affairs, and an MP from the south

David Housego

Rajiv Gandhi: facing disenchantment over a *host of issues including inflation*

Hindu militants back from the political wilderness

THE performance of the Bharatiya Janata Party, which has a block of around 80 seats in the new Lok Sabha, or lower House, has more than fulfilled *the expectations of its Hindu militant leaders.*

The BJP, having increased its strength from two seats, is now in a strong bargaining position in relation to the National Front of opposition parties.

Mr L.K. Advani, the party president, was aware of this yesterday as he triumphantly led a colourful victory procession of his jubilant, applauding supporters through New Delhi.

Mr Advani proclaimed as *long ago as July* that the BJP's priorities were to oust Mr Rajiv Gandhi's Congress Government and acquire "a sizeable presence" in the Lok Sabha to enable it to play the "*role of a* stabilising nucleus in Indian politics".

Now that the National Front needs BJP support to form a *government, BJP leaders are* preparing to extract a price. They are keeping their options open. They are willing both to take part in a coalition government – provided it does not include the Marxists – or support the National Front from outside.

The only point on which Mr Advani is firm is that the BJP will have no truck with Congress. That Mr Advani means to extract the maximum mileage is also clear from his statement that "until now, the Janata Dal [a central plank of the National Front] has not been able to inspire trust and confidence in me".

As the party's president Mr Advani can be expected to have a big say in formulating the BJP's post-election strategy.

The BJP gains are largely due to the anti-Congress vote and only partly inspired by Hindu revivalism

But the BJP is a disciplined, cadre-based party with an organised set-up and its leaders will take their line from the national executive meeting planned for December 1 to 3.

The BJP is the only one of the non-Congress parties that has been part of a central government in India. It *draws its* ancestry from the former Jana Sangh which merged with four other parties to form the Janata Government in 1977. When the Janata Party broke up in 1980, the party re-emerged in its present garb.

The BJP has done less well in Uttar Pradesh in the Hindi-speaking north than it expected and most of its new strength comes from states such as Rajasthan, Madhya Pradesh, Gujarat and (in alliance with the Shiv Sena, a local Hindu nationalist group) Maharashtra. Much of its gains is due to the anti-Congress vote and only partly due to its stand on Hindu revivalism.

The BJP's strength fell to a dismal two in the Lok Sabha formed after the 1984 elections. Since then, its leaders have been planning a national revival based on distinctive policies and aimed at what many see as a narrow pro-Hindu orientation.

Such policies will obviously be the BJP's priority as part of its stand for "justice for all and appeasement of none" – a euphemism that emphasises the rights of the majority Hindus against the minority Moslems. Most recently, this took the form of active support to the Hindu fundamentalist Vishwa Hindu Parishad in laying the foundations of a temple at Ayodhya.

K.K.Sharma

Indian vehicle maker emerges bruised from Pune labour dispute

By R.C. Murthy in Bombay

BOMBAY Tata Engineering and Locomotive Company (Telco), India's largest vehicle manufacturer and part of the Tata empire, is bruised by six months of labour agitation at its Pune plant which ended last week. The company will probably take a couple of years to recover.

However, Mr Rajan Nair, who led the campaign which culminated in a 30-day strike from October 24, may be relegated to oblivion. His dreams of organising the 200,000-strong industrial labour force in Pune's industrial belt in Maharashtra lies shattered, at least for the present.

The Telco Kamgar Sanghatana (Telco workers union) which he heads, called off the strike last Wednesday unconditionally as disenchanted workers trekked back to work. Mr Nair says he has taken a step backward in the interest of the workers.

In the war of wits, the TKS is clearly the loser. None of its demands has been met. The management refused to hold talks with Mr Nair, whom it did not recognise as the leader of the union. Mr. Ratan Tata, Telco chairman, says the 8,500 workers at the Pune plant are divided nearly equally between two unions and the industrial court is to determine which of the two is the larger. Furthermore, Telco refused to revoke the suspension of 105 employees, many of whom are TKS activists, on charges of indiscipline. An independent panel is reviewing their cases.

Mr Nair gambled when he escalated the agitation late last month and blocked the entry of Tata products into Pune hoping to politicise the labour dispute and capitalise on the eagerness of political parties to jump into the fray on the eve of general elections. That did not happen.

The labour problem at Telco is the first big test for Mr Tata, who became chairman in the teeth of opposition within the group. Sales of Telco went up by a sixth to Rs7bn (£265m) in the first half to September but Mr. Tata says sales would have been higher by Rs2bn had the company been able to produce according to plan.

Truck production was affected at Pune, one of the two Telco plants with a combined capacity of 100,000 vehicles. The other, at Jamshedpur in the northern state of Bihar, does not have any labour problem.

Mr Tata has an uphill task to build bridges with the employees, who are among the highest paid workers in Pune, and instil a sense of confidence in the management.

When the dust settles, Telco wants to encourage more worker/participation along Japanese lines and establish an effective communication system. Mr Tata has ambitious plans. His priority is to make good the lost production and accelerate the work on a new car that is scheduled to be on the road in 1991.

Kuwait's dialogue towards democracy stuck in the sand

By a Special Correspondent in Kuwait

A DIALOGUE between the Emir of Kuwait and citizens calling *for the restoration of* parliamentary democracy has come to a standstill after the ruler declined to accept a petition asking him to bring back the suspended national assembly.

Sheikh Jaber al-Ahmad al-Sabah suspended the assembly at the height of the Gulf war in 1986. The group of 50 leading citizens behind the petition drive is said to have collected more than 25,000 signatures comprising nearly a quarter of the Kuwaiti electorate.

Discreet contacts between the ruling Al-Sabah family and proponents of a restored assembly halted after three emissaries were asked to attend an audience with the Emir without presenting the petition.

"Now that the Gulf war is over and the security situation has relaxed, we feel it is time for the Emir to restore the national assembly," said one Kuwait investment banker who spoke on condition of anonymity.

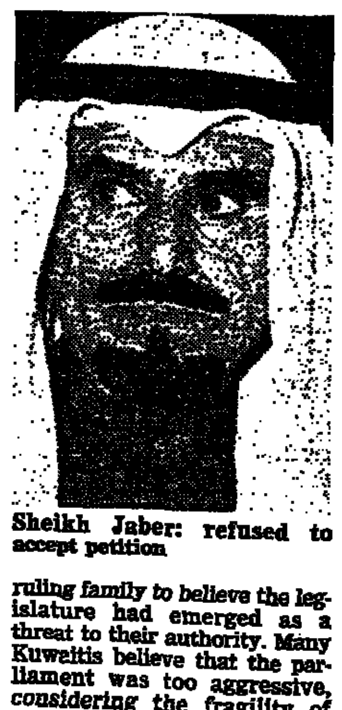
The Emir suspended the assembly for a second time in the summer of 1986, citing tensions *generated within Kuwaiti* society as a result of the Iran-Iraq war. While most Kuwaitis are Sunni Moslems, Shias make up over a third of the population.

However, one local political scientist cites investigations launched by the parliament into the affairs of government ministries run by the ruling family as the key reason for the dissolution.

A dispute over the constitutionality of parliament's investigations is said to have led the ruling *family to believe* the legislature had emerged as a threat to their authority. Many Kuweitis believe that the parliament was too aggressive, *considering* the fragility of democracy in the Middle East.

"The problem was that the Majlis [assembly] had degenerated into factional bickering," said a local architect. "It was not a difficult task for the Government to convince people that suspending the parliament was in the national interest."

Optimists point out that the Emir has often indicated he intends to restore the assembly. But several members of the pro-democracy group believe Sheikh Jaber's refusal to accept their petition means that Kuwaitis can expect to wait along time before they will return to the polls to elect a national assembly.



Sheikh Jaber: refused to accept petition

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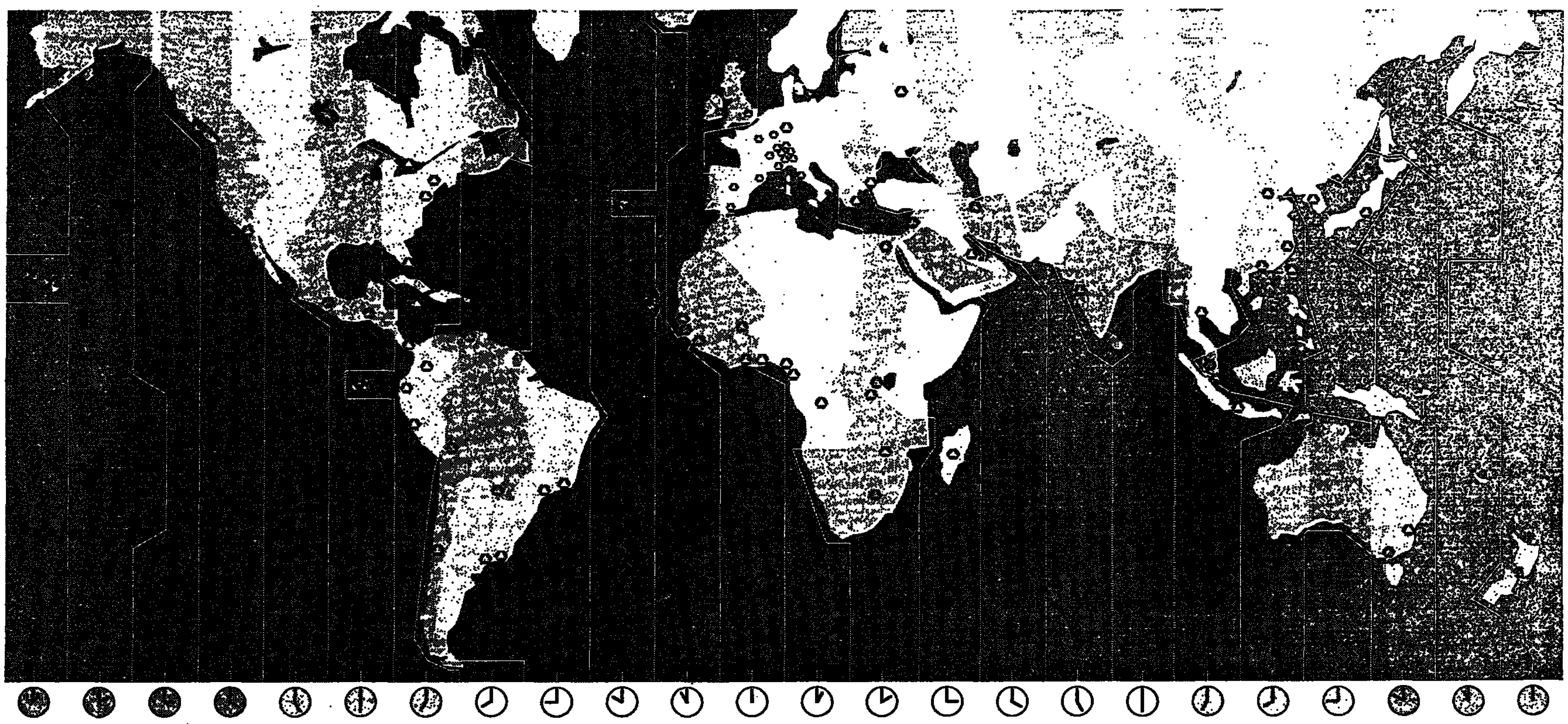

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OVERSEAS NEWS

Palestinian leaders chafe at 'invisible' role in peace process

By Lamis Adoni and Tony Walker in Tunis

PALESTINIAN leaders are expressing increasing frustration at what they regard as attempts by both the US and Egypt to pressure them into accepting an almost invisible role in preliminary steps towards the resumption of a Middle East peace process.

Mr Abu Iyad, number two in the Palestine Liberation Organisation leadership said that the PLO was willing to show "cautious and conditional flexibility" on US proposals for preliminary peace talks between non-PLO Palestinians and Israelis, but it would not accept being excluded from this initial process altogether.

The PLO official also indicated that there was growing pressure from within the organisation for a sharper response to what are seen as attempts by both Washington and Cairo to manoeuvre the PLO into accepting a "Palestinian Camp David."

This was a reference to the 1978 agreement under which Egypt made a separate US-sponsored peace with Israel. Stage two of Camp David, which called for negotiations on greater autonomy for Palestinians living under occupation, was never implemented.

The PLO was also considering a number of other options. These include a drive to involve Western Europe and Moscow more vigorously in efforts to promote a Mideast peace settlement. There are also indications that the PLO may be planning a fresh phase in the *intifada* or uprising in West Bank and Gaza Strip.

PLO leaders acknowledge they are engaged in a "battle of tactics" with Israel over a five-point plan advanced by Mr James Baker, the US Secretary of State, for an opening round of discussions on Israeli-proposed elections for the occupied territories.

Neither side wishes to be held responsible for the failure of the Baker plan. Thus, both the PLO and the Israelis are involved in elaborate attempts at least to maintain an illusion that the proposals might provide the possible basis for the beginning of a dialogue.

The PLO is continuing to seek clarifications of the US plan, and to offer suggestions in an effort to overcome procedural deadlocks, but there is little optimism in Tunis about the possibility of a breakthrough as long as Mr Yitzhak Shamir, the Israeli Premier, remains in power, and as long as the US is unwilling to exert real pressure on Israel.

Mr Shamir has rejected any dealings with the PLO, and is opposed to exchanging land for peace in the Occupied Territories. "Mr Shamir wants to have a dialogue with himself in the mirror," said Mr Abu Iyad.

The PLO leadership is insisting that it be involved in naming the delegation to meet the Israelis. It is also demanding that there ben an open agenda. Israel, however, has said that it will not accept any PLO involvement, and it also wants to confine any discussion in Cairo to technicalities for holding elections.

"We would not even be addressed as a party," said Mr Abu Iyad. "And we're also being asked to forego our right to select the Palestinian representatives." He said his organisation was concerned about the legal precedent that might be established if, after 25 years of struggle for independence, the PLO yielded its right to name Palestinian representatives. "After all," he said, "what was our battle with Syria all about, which tried for all those years to form a parallel PLO."

He said the US was trying to find ways around the impasse, but it was not prepared to acknowledge publicly that the PLO was a party principal. "The Americans are dealing with us in an intelligent way," he declared, "but in a conspiratorial manner."

"They want us to accept it (the Baker plan) secretly, and to reject it publicly."

Israelis prepare way to privatise five banks

By Eric Silver in Jerusalem

THE Israeli Government has cleared the way for privatisation of the country's five leading banks early in the new year. It will begin offering shares as soon as the necessary legislation has been passed.

The Ministerial Economics Committee decided on Sunday to send a bill equalising voting rights in the bank shares to parliament. It is expected to be passed by the end of the year.

Mr Shimon Peres, the Finance Minister, said that once legislation had been approved, the Government would take steps to sell its majority holdings, which at present carry no voting rights. The first to be sold would be Union Bank, a subsidiary of Bank Leumi.

A spokesman for M.I. Holdings, the company handling the sales, said this would be followed in turn by the Mizrahi, Discount, Hapoalim and Leumi banks. Thirty Israeli and foreign investors have already expressed an interest.

The Government owns about 95 per cent of the banks' shares, which it bought after the 1983 collapse of the Tel-Aviv stock exchange. As part of the rescue operation, it left control of the banks with minority shareholders. The new measure would give all shares equal rights, thus transferring control to the Government.

The ministerial committee was told that negotiations with the controlling shareholders had failed. The former Finance Minister, Moshe Nissim, complained: "They just want to stay in control with no money, no capital and no economic responsibility."

Professor Michael Bruno, the Governor of the Bank of Israel, preferred to continue negotiations, but acknowledged that without legislation there was no hope of making progress in the talks. Both Likud and Labour wings of the national unity coalition agreed that legislation was the only option.

Moscow sees Korean rapprochement

By Maggie Ford in Seoul

THE Soviet Union believes that both North and South Korea want a rapprochement and is working hard to assist in negotiations, according to the chief Soviet representative in Seoul.

Mr Valery Nazarov, who also holds the position of Vice Chairman of the Soviet Chamber of Commerce and Industry, said that changes on the Korean peninsula involved several countries. Moscow established economic relations with Seoul earlier this year in the wake of President Roh Tae Woo's "Nordpolitik" policy of improving relations with communist countries.

Addressing the Seoul Foreign Correspondents' Club, Mr Nazarov said that the first "joint venture" between North and South Korea might be to despatch one team to the Peking Asian Games next September. The Soviet representative's comments are the first concrete indication that Pyongyang is beginning to respond to South Korea's "Nordpolitik" initiatives.

BLOODY AFTERMATH OF DISPUTED REFERENDUM

Comoran president shot dead

By Our Foreign Staff

PRESIDENT Ahmed Abdallah Abderrahmane of the Comoro Republic, a group of islands between Africa and Madagascar, was assassinated on Sunday night, the state-run radio reported yesterday.

The president, said to have died in an attack on his palace led by a disgruntled army officer, had survived at least three coup attempts since taking office in 1972. Three weeks ago he won a disputed referendum that would have allowed him to stay in office until the mid-1990s.

Mr Haribou Chebani, the Supreme Court President, has taken over as president, the state radio said.

The rebels launched their attack in the capital of Moroni, on the main island of Grande Comore, just before midnight Sunday. The president, who was 70, died in the ensuing battle with the 300-strong presidential guard, Radio Comoro said.

Political tension in the three independent Comoros islands, which unilaterally declared independence from France in 1975, has been growing. The opposition accused President Abdallah of rigging the referendum.

Abdallah: survived three other coup attempts

Mr Abdallah was initially elected president by the islands' legislature in 1975, but he was deposed after three weeks and arrested with the help of a group of European mercenaries led by the Frenchman Bob Denard.

Mr Ali Soilih, a radical left-winger took over the government, prompting France to withdraw financial support. Denard led and invasion of about 50 European mercenaries in 1978 to depose Mr Soilih and restore Mr Abdallah to power.

Mr Abdallah ruled the islands, which have a population of 500,000, in authoritarian fashion, relying on his mercenary-led bodyguard to retain power. He reconciled the Comoros with France, which is the islands' main aid donor, and developed close links with South Africa, which has helped to equip and pay for his security and has invested in the construction of a new tourist hotel.

The islands' economy depends on the export of vanilla, cloves and ylang ylang, an essential oil used in the manufacture of perfume.

Whites join ANC at Paris conference

A GROUP of influential white South Africans joined anti-apartheid activists and the African National Congress yesterday in a French-sponsored conference seeking to speed political change in Pretoria, Reuter reports from Paris.

More than 100 businessmen, politicians, church and trade union leaders and ANC officials were brought together by Mrs Danielle Mitterrand, the wife of the French president, who heads the influential human rights group France-Libertés.

A leading participant said that delegates – whose names have not been made public – included members of the Broederbond, a secretive Afrikaner society which has exerted a powerful influence on government since the Afrikaner-based National Party came to power in 1948.

Also taking part were top white businessmen with influence on the government and on South Africa's economy, hit by international sanctions aimed at forcing an end to apartheid.

Aoun ready for 'final battle' for Lebanon

By Lara Marlowe in Beirut

GEN Michel Aoun, the leader of Christian forces in East Beirut, said yesterday he was prepared for "the final battle for the defence of Lebanon".

At a press conference in his bunker at Baabda, the general spoke of "troop movements and the reinforcement of Syrian positions." However reports of a build-up of Syrian troops and armour around Baabda appear to have been much exaggerated.

Newly elected President Elias Hrawi has made it clear that he will not accept the continuation of a separate government led by Gen Aoun and has given him until today to step down or face the possibility of attacks on the presidential palace that he occupies.

Moslem army officers were reported to be holding urgent consultations with their Christian counterparts yesterday. The inter-army and militia security committee that was formed by Mr Lakhdar Ibrahimi, the Arab League's special envoy to Lebanon, to oversee the September 23 ceasefire is also believed to have attempted to secure the support of the Christian Phalange militia for the reunification of the army under a new commander.

The Phalange had fought alongside Gen Aoun's army units in artillery battles that killed 1,000 people between March and September of this year.

A meeting of the cabinet formed after President Hrawi's election on Friday night is expected to appoint Brig Gen Emile Lahoud, the former aide de camp to the minister of defence, as commander-in-chief of the army today. Gen Lahoud has been in the Bekaa Valley, where President Hrawi and Prime Minister Selim el Hoss's government are temporarily located, for several days. The name of Fahim Hajle, the former air force commander who is close to President Hrawi, is also being mentioned.

Gen Aoun earlier told a French radio station that "confrontation is very near if none of the great powers intervenes today or tomorrow".

He also said that his own and the new government could co-exist peacefully. Having failed to exert his authority over all of Lebanon, the general would now be content to rule the Christian enclave.

But President Hrawi and his Syrian allies appear determined to uproot the general who called on the young men of East Beirut to volunteer at army recruitment centres yesterday and vowed to fight to the death to defend himself.

UK minister to visit South Yemen

By Victor Mallet

A UK minister is to visit Marxist South Yemen for the first time since the country's independence from Britain in 1967, the Foreign Office announced in London yesterday.

It was the latest acknowledgement that President Mikhail Gorbachev's reforms in the Soviet Union are reaching beyond eastern Europe to the remotest corners of the Soviet sphere of influence. Mr William Waldegrave, Foreign Office Minister of State, is due to arrive in Aden on December 3. He will go on to North Yemen and Oman.

This year South Yemen – the only Communist state in the Arab world – has been wooing the West and its conservative Arab neighbours. Renewal of relations between the US and South Yemen, which occupies the strategic tip of the Arabian peninsula at the mouth of the Red Sea, is thought to be imminent.

The Soviet Union remains an important ally and military supplier for Aden, but Moscow is becoming increasingly impatient with its old-fashioned Third World allies.

FLN still looks backwards as Algeria seeks a way forward

Francis Ghilès *on today's ruling party congress*

ALGERIA is adrift. More than a year on from the riots of October 1988, which saw the worst violence since this former French colony won independence in 1962, the Front de Liberation National seems incapable of deciding whether to fight for the reforms President Chadli Bendjedid is seeking to promote or to sulk and recount tales of its long-lost glorious past.

The meetings held by the FLN before its extraordinary party congress today suggest that many have not forgiven the head of state for blaming them for the violence last year.

Despite the party's formal loss of power in the wake of a referendum last February that prepared the way for a new constitution, the National Assembly – all of whose members still belong to the FLN – has been emasculating bills on the press, joint ventures and other issues submitted by the President. In July the deputies saw fit, in closed session, to vote themselves high salaries, many perks and a string of other privileges.

The Front Islamique de Solidarite (FIS) have meanwhile stepped into the vacuum left by a demoralised FLN and army leaders who have stopped interfering in political and economic affairs.

A climate of increasing "social terrorism" is being unleashed as FIS militants and their shady *shorta Islamiya* (Islamic police), take the law into their own hands. They have threatened journalists, beaten up women and, in one recent instance, burned down the house of a woman who in Annaba was leading a campaign against FIS pressure to impose "Sharia" law. They have also smashed the windows of bars which serve wine and questioned university lecturers about the content of what they teach in history and literature. The courts dare not react.

The FIS also appeared better organised than the state when, last month, it rushed tents and blankets to the victims of an earthquake in the coastal town of Tipeza where the local governor seemed more intent on deploying riot police against the protesting victims.

Last summer, in the nearby town of Ain Benian, the official list of people entitled to new houses was re-written by the FIS, whose views eventually prevailed. An attempt to call an all-out strike at the beginning of the school year a month ago, however, proved a dismal failure.

The other parties, which have won legal status since the spring, notably the communist Parti de l'Avant Garde de la Revolution and Socialiste or the more social democrat Rassemblement Constitutionel Democratique suffer from an important handicap: unlike the FLN and the FIS, which can often use the local mosque, they have no ready-made network throughout Algeria.

Meanwhile, the continuing shortages of consumer goods and foodstuffs, large quantities of which disappear in the various distribution networks, will find their way to the recently-opened frontier to Morocco. Rocketing prices of daily staples dig an ever deeper gulf between the poor and the rich, between those living on fixed incomes and those with the daring and the foreign connections to participate in the *trabendo* economy of speculation.

Many private factories are closed, yet their owners often keep their workers on with full pay, so strong are traditional attitudes to social solidarity. Most factories, be they state or privately owned, are functioning at a fraction of their real capacity.

Figures for the first seven months of the year show that the value of imports increased by nearly 50 per cent, reflecting the decline in the value of the dinar and rising world prices. The shortage of spare parts is in danger of throttling the economy.

Opening the private sector in foreign trade will be no easy task despite the optimism displayed recently by the Minister of Economic Affairs, Mr Ghazi Hidouci.

However, there have been some successes. The Hyatt hotel company has been able to sign a joint venture with a private businessman, the first of its kind. More recently another private company, Alfreix, which specialises in car brake linings, has been allowed to set up a joint venture with a Saudi company, where it will hold 25 per cent of the capital.

Thus, despite the unwillingness of deputies to write a liberal joint venture bill, the authorities are slowly, deliberately, moving ahead. However, the Government and Mr Oloud Hamrouche, the Prime Minister, have remained discreet on most issues.

Strikes, meanwhile, seem never ending, some motivated by real grievances, others much more political.

The intense resentment, recorded week after week in columns of the press and on radio, is fuelling a growing sense among Algerians that they have been betrayed by their rulers since 1962. An ever-growing number see little future for their children and at the same time have been forced to endure the brutal tactics of the Islamic militants.

Many Algerians would probably still support the ruling party if only the FLN could rid itself of its dead wood, speak with a clear voice and offer a system which places quality ahead of quantity and rewards initiative, even at some cost to job security.

What one commentator recently pointed out about Eastern Europe could equally be said of Algeria. In addition to the budget deficits that infest most state enterprises, there is a deficit of political stability, a deficit of economic stability, a deficit of financial and commercial knowledge, perhaps even a deficit of governing will.

If the FLN and the President fail to offer some comfort and real deeds soon, the present confusion will lead to calls for more radical solutions.

OVERSEAS NEWS

Population boom seen as a drain by Iran

Scheherazade Daneshkhu in Tehran counts the cost of a lack of serious birth control

In its new-found mood of realism, the Iranian Government is gradually waking up to one of the country's most severe problems: its phenomenally high population growth rate. It is an issue that lies at the root of the economic difficulties Iran is likely to encounter in coming years, yet as the authorities are already discovering, there are no easy answers.

Iran's population today stands at an estimated 53m, against just over 37m at the beginning of the revolution 10 years ago.

The average rate of growth of 3.9 per cent over the past decade is among the highest in the world, and very close to the biological maximum of just over 4 per cent.

Even by the standards of the Middle East, which is used to rapidly rising populations, Iran's boom is exceptional.

A majority of Iranians is younger than 17, and at the present rate, the population will double to over 100m by 2010.

The present numbers are based on the country's most recent census in 1986, which put the population at a suspiciously exact 48,181,463.

The Government's selective release of census material has made it difficult to make an objective assessment of its accuracy.

But the margin of error is not thought to be much more than 5 per cent. Even at the lower end this would leave Iran with a population of 50m and a growth rate of about 3.6 per cent compared to 2.4 per cent before the revolution.

There was a time when the population boom was seen by Iran's revolutionary authorities as an unmixed blessing. When the census was released three years ago, Mr Mir Hussein Mousavi, then Prime Minister, appeared to be over the moon.

Some 11m Iranians have been born since the revolution, he said on Iranian TV, and have been brought up with the cries of "Death to America" and "Allah-o akbar" (God is great).

More Iranians meant more resources to build the country into an Islamic model, he said, and would ensure that the country became powerful, wealthy and prosperous.

Mr Mousavi said that he therefore saw no reason why birth control should be encouraged.

Such ideological perspectives now seem a thing of the past. Greater realism and a preoccupation with the economy have been hallmarks of Hojatoleslam Ali Akbar Hashemi Rafsanjani, who become president in early August.

He and those who think like him recognise that current rates of population growth are likely to be a serious drag on Iran's economy for the foreseeable future.

Even before he was elected, ministers had taken to calling for effective population control.

"The phenomenal growth of the population during these years counts among the negative factors in the development of the economy," said Mr Mohammad Javad Iravani, the former Economics Minister, in July.

"Great stress" would be put on discouraging large families but even if government control policies are implemented, added Mr Iravani in some despair, the government expected the population to grow to 90m in the next two decades.

It is clear why the government is worried. The country's foreign exchange income oil falls far short of its present requirements and any future improvements in oil revenues will be more than offset by the increase in the population.

The Government is having the greatest difficulty simply keeping up with demand for basic services. Most parts of the country, including Tehran, experience daily power cuts and shortages of clean water supplies.

Food imports account for as much as a third of total imports. Unemployment is growing, particularly now that the war is over.

And the Government is faced with an additional problem in the burgeoning population of Tehran, which has doubled in the past 10 years to an estimated 8m-9m, or around one-sixth of the total.

Housing is desperately short and an allocation of $280m in foreign exchange to build 12 new townships looks like a drop in the ocean.

While the government is now aware of the population problems, little has been revealed about what form "government control policies" might take. So far the leader of the republic, Ayatollah Ali Khamenei has said that birth control is not contrary to Islam.

With the population boom, most parts of Iran experience shortages of clean water supplies

Islam, he said, does not categorically encourage people to have large families; moreover, fewer children would make it easier for parents to take care of the needs of their children.

Contraceptives, when available, are relatively inexpensive but are in short supply.

A major obstacle to more effective population control is posed by changing social conditions. Islamicisation has laid greater stress than before on early marriage and the woman's role as wife and mother.

The number of marriages doubled from 4.6 per thousand in 1975 to 9.8 in 1983; polygamy is legal. Moreover, increased poverty, the war and lack of entertainment outside the home have all played their part.

But some observers believe that while Islam may be a factor, such a steep increase in the population could not have occurred in the relatively short period of a decade had there not been an underlying trend towards high rates.

According to Dr Keith McLachlan of London University's School of Oriental and African Studies, the fertility pattern can be traced back to the 1960s with the government's relatively successful health campaigns. Fertility increased rapidly in the 1970s leading to the acceleration in births in the 1980s.

"What we are seeing is Iran's late entry into the population growth race," he said.

Slowing down again is an enormous problem: no country has been able to force down the rate of population growth significantly within a short period.

The lack of a serious birth control programme can only compound Iran's economic difficulties.

Iran losing revenue to E Europe

IRAN is missing its chance of attracting desperately needed western capital now that financiers are being attracted by newly democratising Eastern Europe, Iranian economists and Western bankers in the Gulf said.

Its failure to make a political peace with the West or provide a cohesive economic plan to guarantee western investments will seriously jeopardise its reconstruction after eight years of war with Iraq, they said.

Eastern Europe's rapid move toward economic and political liberalisation, has sparked the interest of Western business in a region which is already culturally and socially closer than countries such as Iran and China.

The US government investment insurance agency OPIC said on Friday that recent US direct investment interest alone amounted to $1.1bn for Poland and $700m for Hungary.

Independent economists said Iran needs a minimum $15bn hard currency a year to effectively repair the devastation of war and basic economic mismanagement. But the only sources in the West, and in Japan, which could provide such large amounts are largely cut off, bankers said.

Iran claims as much as $12bn from the United States in assets it said were frozen by Washington following the Islamic revolution in Iran in 1979. Iran has tried to link the freeing of these assets with the release of Western hostages held by pro-Iranian guerrillas in Lebanon.

AMERICAN NEWS

Fighting returns to San Salvador

By Tim Coone in San Salvador

EL SALVADOR'S leftwing guerrillas said yesterday that they were battling government forces on the outskirts of San Salvador, the capital, and had sabotaged power lines around the country.

The Farabundo Marti National Liberation Front (FMLN), in a statement broadcast by its Radio Venceremos, reported heavy fighting at San Francisco, Loma Linda and La Ceiba, west of the capital, and at San Sebastian to the north.

Guerrillas had sabotaged power supply lines to San Salvador in the western department of Santa Ana and had blown up electricity pylons at Chalatenango in the north-west and San Miguel in the east, the radio, monitored by the Cuban news agency Prensa Latina, said.

The FMLN says it is continuing a nationwide offensive against the right-wing government launched on November 11. Western diplomats in San Salvador are now seriously concerned over a probable intensification of the war in the country.

Following the breakdown in relations between El Salvador and Nicaragua, there is also some concern about possible escalation into a regional conflict.

Daniel Ortega, Nicaragua's President, has called on the other Central American countries and the international community to break relations with El Salvador until murderers of six Jesuit priests and two women earlier this month have been punished.

Mr Ortega's speech follows El Salvador's decision to suspend diplomatic and commercial relations with Nicaragua on Sunday. "I am pleased," he said, adding "We can now avoid receiving the representative of a murderous government."

In addition to announcing the suspension of bilateral relations, El Salvador's President, Alfredo Cristiani, said that he will also not attend a Central American presidential summit scheduled to be held in Nicaragua next month. He has asked for the venue to be changed.

The collapse of diplomatic efforts to find a negotiated solution to the war and the hardening of positions by both the FMLN and the Government of President Cristiani points towards a major military showdown in the near future.

Colombian airliner explodes

A COLOMBIAN Boeing 727 jetliner exploded in mid-air yesterday after it took off from Bogota on a domestic flight to Cali, killing all 107 people on board, Reuter reports from Bogota.

Witnesses told radio stations they saw the aircraft explode in the air then crash in flames, spilling the bodies of passengers and twisted pieces of charred wreckage across two hillsides near Soacha, about 10 miles south-west of Bogota.

The aircraft belonged to Avianca Airlines, the Colombian national airline and the oldest air carrier in Latin America.

A spokeswoman for the airline, Maria Clara Quintero, said the aircraft carried 101 passengers and six crew members and that "unfortunately, there were no survivors".

An air force pilot reported two explosions in the area where the aircraft was flying a few minutes after the jet took off, an aeronautics board official said.

One radio report said police were investigating to see if the crash was due to a "terrorist act".

But the director of the national police press office, Colonel Alfredo Salgado, said it was premature to say terrorism was being investigated as a cause since the flight recorder had not yet been recovered.

Some witnesses said the aircraft split in two pieces after it exploded, while others said they saw flames before the it exploded.

One witness said he saw bodies fall out of the broken aircraft following the explosion. The official, Jose Aurelio Gonzalez, said in a radio interview that based on the first available information mechanical failure was unlikely.

He said the aircraft had been well-maintained and said weather conditions were perfect for takeoff.

Avianca is Latin America's oldest airline, founded in 1919 by Colombian and German investors.

Its last accident was on March 17 1988, when 136 people died in a crash outside Cucuta, near the Venezuelan border.

Its worst accident was on November 26 1983, when a Boeing 747 crashed in Madrid, killing 183 people aboard.

Yeutter takes hard line on forgiving Polish farm debt

By Nancy Dunne in Washington

FORGIVING Polish farm debt to the US would "establish an undesirable precedent," Mr Clayton Yeutter, US Agriculture Secretary, said yesterday.

Despite the East European country's economic problems, he will not recommend it.

Mr Yeutter is leading a top-level delegation of United States officials to Poland this week.

But "we're not going there for the purpose of distributing aid packages," he said yesterday.

"This will be a very substantive discussion of the needs as seen in Poland by the leadership of the government and the private sector in Poland. . . on how we can be most helpful over the next several years."

The team may offer low-cost American assistance programmes, in addition to that already approved by Congress, including technical help in putting together a food stamp programme to combat hunger in the Polish population.

Mr Yeutter will also focus his efforts on means to improve the efficiency of Polish agribusiness and enhance production prospects for 1990.

Yeutter: substantial discussion

The Agriculture Secretary will be accompanied by Mr Robert Mosbacher, the Commerce Secretary; Mrs Elizabeth Dole, the Labour Secretary; Dr Michael Boskin, chairman of the Council of Economic advisers, State and Treasury Department officials and 10 private-sector representatives.

The group will report to President Bush shortly after he returns from the Malta Summit where he will meet Mr Mikhail Gorbachev, the Soviet leader.

Mr Yeutter said he expects to have a comprehensive report by Christmas, after co-ordinating recommendations with the European Community to avoid duplicative efforts.

In the area of agribusiness, much will depend on the rules developed by the Polish government for privatisation and joint ventures.

Mr Yeutter added that he hoped that Poland would have as open a regime as possible, in order to compete for scarce financial resources.

"If they wish to attract foreign capital, it will be very difficult for Poland to do that, unless controlling interest, or in some cases 100 per cent interest, is transferred to foreign investors," the Secretary said.

Bush expected to cut off US trade credits to China

By Nancy Dunne in Washington

PRESIDENT George Bush is expected to sign legislation, passed by Congress last week, including measures to cut off US trade credits to China until it relaxes its political repression.

The provision, containing the ban on trade finance from the US-Export Import Bank, was sponsored by Senator Jesse Helms, the right-wing Republican from North Carolina and a minority member of the Foreign Relations Committee. The senator was able to slip the motion into legislation authorising funding for Exim-bank and the Inter-American Development Bank.

The President is empowered to grant a waiver on credits on the grounds that it is in the national interest to do so. However, waiving the provision would carry a high political price in the current atmosphere of anti-Chinese government sentiment.

Eximbank officials yesterday were unclear about the effects of the measure on $200m worth of preliminary commitments pending for China. These have been delayed since last year, initially due to the ponderous pace of negotiations between the Chinese government and US business, and then slowed by the reaction to Tiananmen Square. The measure is likely to halt $200m a mixed credit proposal for China's Shanghai subway system project.

Opposition leader wins in Uruguay

By Gary Mead in Montevideo

MR Luis Alberto Lacalle, the main candidate of the opposition Partido Nacional (Blanco Party), has won Uruguay's presidency and toppled the ruling Colorado Party. He is due to take office on March 1 1990.

Opinion polls had forecast 48-year-old Mr Lacalle's victory in Sunday's election, but his 38 per cent vote outstripped predictions. The Colorado Party's leading candidate, 62-year-old Mr Jorge Batlle, conceded defeat at 1am yesterday. The latest results show Mr Batlle taking 31 per cent of the poll.

The broad left-wing alliance of six different parties known as the Frente Amplio won the vital mayorship of the capital, Montevideo, where 47.3 per cent of voters live. The new mayor will be Mr Tabare Vazquez who took 34 per cent of the vote for the Frente Amplio.

The left-wing victory in Montevideo has alarmed some observers, since Frente includes not only the Uruguayan Communist Party, which holds sway over many of the country's trade unions, but also the remnants of the Tupamaros, the guerrilla movement which carried out a terrorist campaign during the late 1960s and early 1970s, and paved the way for the military dictatorship which took over government in 1973.

Frente trailed third in the presidential vote and in most other political posts contested in Sunday's wide ranging election, but its victory in Montevideo gives it a powerful voice in domestic political decision-making for the first time.

Mr Lacalle and his Blanco Party campaigned on a platform of alleviating social hardship and stemming inflation, which this year is likely to be in excess of 85 per cent. Unemployment in Montevideo is officially running at 8.2 per cent, though private estimates suggest it is closer to 15 per cent.

Voters also approved (through a plebiscite) a constitutional reform under which all pensions will be indexlinked to inflation. Mr Battle said such a move would bring in its wake annual inflation of 250 per cent.

Mr Lacalle faces an uphill task when he takes office. Uruguay has, per capita, one of the heaviest foreign debt burdens in Latin America. Its $m citizens support a foreign debt of $6.5bn. The country is still suffering the effects of a severe drought, and its main export, wool, is facing a slump in world prices.

Victory claimed in Honduran election

MR Rafael Callejas, a US-trained agronomist who favours an open market economy, claimed victory yesterday in the closely-fought Honduran presidential election, agencies report from Tegucigalpa.

In unofficial radio and television returns from about 24 per cent of precincts, Mr Callejas had received 241,195 votes, or 50.4 per cent, to 210,666 or about 44 per cent, for Mr Carlos Flores of the Liberal Party.

Official returns, much slower in coming, showed Mr Callejas ahead of Mr Carlos Flores of the Liberal Party by 44,538 to 43,383 with 3 per cent of the vote counted. Minor parties took the rest.

Election day was peaceful and officials placed the voter turnout at about 85 per cent.

The main issue in the campaign was a stagnant economy and unpopular incumbent President José Azcona Hoyo's weak Liberal government. Mr Azcona, elected in 1985, is barred by law from seeking another term.

Half a million refugees fleeing civil wars in neighbouring El Salvador and Nicaragua have sharpened economic problems that include per capita income of about $500 a year, high unemployment and inflation, and little industry.

If Mr Callejas takes office for a four-year term on January 27, it will mark the first transition of power to an opposition party since 1932. Sunday's was also the nation's third free presidential election of the decade, after years of military-dominated rule.

Mr Callejas, 46, comes from a landowning family and was trained as an agricultural economist. Mr Flores, 39, is publisher of La Tribuna, one of the nation's leading newspapers.

Also at stake were three vice presidential posts, a 128-seat unicameral congress and 289 mayoralties. Voting was by party slate.

US plans sharp cut in East European refugees

By Lionel Barber in Washington

THE BUSH administration intends to cut sharply the number of Poles and Hungarians entering the US as political refugees because they are no longer in danger of persecution in their own country.

They may limit threaten to deny entry to at least 19,000 of the 20,000 Poles and Hungarians who have filed applications in US embassies and consulates in Western Europe.

The restrictions match similar efforts this year to limit entry to the growing number of Soviet refugees, many of them Jews, who are taking advantage of Mr Gorbachev's more liberal emigration policies. Some 29,000 Soviet Jews arrived between October 1988-89, compared to 600 in 1986.

Once the safe haven for refugees around the world, the US is caught between tight budgets which squeeze resettlement funds and increasing demand from thousands of potential refugees from China, Indo-China, Central America and Eastern Europe.

This fiscal year, already one month underway, the Administration proposes to admit 125,000 refugees worldwide. Of that total, 50,000 places are set aside for the Soviet Union and 6,500 are for Eastern Europe.

US officials have told Congress that the governments of Hungary and Poland are becoming more liberal, so the danger of persecution - the litmus test for refugee status - is receding. The limits threaten some 25,000 East Europeans waiting in West European camps hoping to resettle in the US, about 80 per cent from Poland and Hungary.

Ms Dawn T Calabia, an official with the US Catholic Conference is pressing the Administration to at least interview the refugees in the camps. She said the changes in US immigration policy were being introduced "without close consultation" with countries of first asylum such as Austria.

Swede emerges favourite for top IMF job

By Peter Riddell

MR Kjell-Olof Feldt, the long-serving Swedish finance minister, has emerged as a frontrunner to take over the chairmanship of the policy-making interim committee of the International Monetary Fund.

This post, one of the most important in international economic policy discussions, has become vacant because of the resignation of Mr Onno Ruding as the Dutch finance minister. Traditionally, the chairmanship has been occupied by a European or Canadian finance minister.

Mr Feldt is seen as a leading candidate, with the right blend of experience and international appeal, by those involved in the discussions. The other potential chairmen are Mr Pierre Beregovoy from France and Mr Michael Wilson from Canada.

Informal soundings are now being carried out by Mr Michel Camdessus, the managing director of the IMF.

WORLD TRADE NEWS

EC agrees on world's largest aid package

By Lucy Kellaway in Brussels

EC foreign ministers yesterday agreed on the world's largest aid package by pledging Ecu10.8bn ($12.2bn) to 66 of the world's poorest countries.

The offer, which was last night being put to the African, Caribbean and Pacific (AC) countries, is likely to form the basis of the Fourth Lomé Agreement.

The ACP countries had orginally asked for the present Ecu7.5bn package to be increased to Ecu15.5bn and are therefore not likely to welcome yesterday's offer. Even though they are bound to argue that it is too mean they are not likely to be able to secure any further funds. The aid agreement, which is considerably less generous than the Ecu12.8bn suggested by the European Commission was presented by the French Presidency yesterday as the best that could have been hoped for. The number was more generous than the figure of about Ecu10bn which the British and Germans had argued for.

The offer will include Ecu165m paid to the former Dutch colonies, but will not include Ecu1.1bn of additional funds to be supplied through the European Investment Bank.

The agreement on the financing and on other details of the package should allow the convention to be signed by the end of the year, putting an end to over a year of talks.

Progress was made over the weekend on the trade and commercial aspects of the deal, in the light of objections made by the ACP at last month's inconclusive meeting between the two sides in Luxembourg.

Access to EC markets in such products as strawberries, yams and dried fruits has been increased slightly, while the Stabex fund, which guarantees the exports earnings against a fall in commodity prices, has been extended somewhat to cover the earnings of countries which trade heavily with non-EC partners.

The ACP had also argued for a more generous shipping agreement, providing it with as fixed percentage of all shipments between ACP and EC countries. However, the EC has argued that this would contravene a UN code on shipping, outlawing such a deal.

Fiat group heads Italy's Soviet ventures

The deals are important fruits of a highly-successful trade fair, writes John Wyles

THE FIAT Group heads the list of Italian companies which are expected to sign trade and joint venture agreements valued at around L4,400bn (£2.1bn) to coincide with the three-day visit to Italy this week by Mr Mikhail Gorbachev, the Soviet leader.

In some cases, the deals are important fruits of the highly successful trade fair, Italia 2000, staged in Moscow just over a year ago.

Despite the many difficulties, from the non-convertible rouble to the labyrinthine Soviet bureaucracy, a steady stream of Italian companies have shown themselves ready to gamble on the joint venture format as the basis for expanding their business opportunities in the Soviet Union.

Moscow's figures suggest that about 80 Italian companies have now made such agreements, while the Italian estimate comes out at around 60. The Fiat agreement - to be announced today, 24 hours ahead of Mr Gorbachev's arrival - looks likely to be much the most important to date, aiming at a joint venture initially producing 300,000 vehicles a year by 1994, which may eventually rise to nearly 1m.

Top Fiat managers, led by the group's managing director, Mr Cesare Romiti, were in Moscow last week negotiating the final wording of a declaration of intent, details of which still remain obscure.

While it is clear that the first vehicle to be jointly produced will be a small utility car, the Oka, it is still not known if the agreement will also provide for construction of an engine plant.

Eni, the Italian state energy group, will sign an oil exploration and production agreement, together with plans to modernise a number of Soviet petroleum refineries and to build a detergents plant.

Enel, the electricity company, together with Finmeccanica, the Italian engineering group, should complete a contract which swaps Soviet electricity for Italian modernisation of Soviet power stations.

Fata, the Turin-based refrigeration machinery company, is expected to sign a deal to convert some defence equipment plant to produce refrigerated containers.

These and other agreements in the pipeline should help establish Italy as a major supplier of machinery for the production of consumer durables as well as of consumer products themselves.

In addition to broadening the base of Italian exports hitherto dominated by heavy engineering products, steel and chemicals, the agreements should ultimately alter a trade balance between Italy and the Soviet Union, traditionally tilted in Moscow's favour due to its supply of energy and other primary products.

Italy was fifth leading exporter to the Soviet Union last year, with products valued at L2,735bn against imports of L4,061bn.

With its deficit still on a rising trend - L1,090bn in the first eight months - Rome is hoping that Mr Gorbachev's will also yield orders from Moscow which will have a short-term impact on its trade balance.

Italy has opened a L1,000bn credit line for Soviet purchases of consumer goods and has also allocated L250bn up to 1992 to support its export marketing in the Soviet Union.

Cairns Group in proposal to liberalise world farm trade

By William Dullforce in Geneva

THE CAIRNS Group of 14 agricultural exporting nations yesterday tabled a new proposal which it claimed would inject "important flexibility" into current efforts to liberalise world farm trade.

But it provided no compromise on issues crucial to the European Community which have brought Brussels and Washington into near-deadlock over agricultural reform in the Uruguay Round trade talks.

Like the comprehensive US blueprint submitted last month and dismissed by the EC as politically impossible, the group's proposal would ban variable import levies that form a cornerstone of the Common Agricultural Policy.

Brussels' demand that countries should be allowed to "rebalance" cuts in some farm supports with increases in others is also dismissed.

The liberalisation envisaged provided no scope for raising protection levels and would involve all countries in making irreversible commitments to reforms, Mr Peter Field, Australia's Deputy Secretary for Foreign Affairs and Trade, said.

The group, which includes 11 developing countries, shows greatest flexibility towards Third World interests. Developing countries would be allowed more time to make adjustments, be required to make less severe initial cuts in current domestic supports and would not need to abandon development programmes.

Guiding principles are outlined for meeting the special needs of developing countries which are net food importers. Countries' demands for food security would be recognised. But the group would not allow Japan or newly industrialised countries such as South Korea to claim net importer status and specifically rejects policies of self-sufficiency in vital foodstuffs.

Japan yesterday submitted a paper, refining its claim that the rules of the General Agreement on Tariffs and Trade (Gatt) for farm trade should allow for food security considerations, and detailing the conditions under which it would be able to continue support for rice farming.

In its main thrust, the group's proposal follows closely that of the US with some modifications justifying the claim to greater flexibility. It would freeze and then phase out all export subsidies on farm goods but does not insist on the five-year limit sought by the US.

The Cairns' countries accept the US suggestion that non-tariff barriers to farm trade be converted into ad valorem tariffs and then reduced to low or zero levels over 10 years or less. But it suggests reductions in existing farm tariffs could be consolidated with an obligation to cut customs duties overall by 33 per cent during the Uruguay Round.

The group adopts the US red-amber-green categorisation of domestic support measures into those that cannot be permitted, those which will be allowed only under Gatt discipline and those which are permissible. But it leaves open the possibility of using an aggregate measure of support, of the kind favoured by the EC, when deciding how to reduce commodity supports.

Israel farm minister in Moscow

By Eric Silver in Jerusalem

ISRAEL's Minister of Agriculture, Mr Avraham Katz-Oz, began a week of negotiations in Moscow yesterday for a multi-million-dollar deal to export Israeli farm produce to the Soviet Union.

His visit is the first by an Israeli minister since the Kremlin severed diplomatic relations 22 years ago.

If he is successful, this will be the first time Israel, whose fruit and vegetables are coming under increasingly stiff competition in their traditional West European markets, has sold food to the Eastern bloc in that period.

Mr Naftali Yaniv, a ministry spokesman, said in Jerusalem yesterday that Israel would be air-freighting fruit, vegetables and perhaps eggs and poultry for sale in the Moscow region under a cash and barter arrangement.

"We're talking about tens of millions of dollars," he added. The Soviet Union was also interested in joint ventures, for instance, in water utilisation.

Trade in agricultural produce will be handled by a joint company, Agromir, owned 50-50 by the two countries. Agromir was established during preliminary discussions last August.

Mr Katz-Oz's visit is seen in Jerusalem as another step towards re-establishment of diplomatic relations.

For the past two years, Israel and the Soviet Union have maintained consular delegations in Moscow and Tel Aviv.

Direct flights are due to be resumed in the new year.

● As another straw in the wind of glasnost, Mr Shimon Peres, Israel's Finance Minister, flew to Poland yesterday for an official four-day visit.

During his time in Poland, he will meet President Wojciech Jaruzelski, Prime Minister Tadeusz Mazowiecki, and the Mr Lech Walesa, the Solidarity leader.

Egypt and Kuwait study military co-operation

By Tony Walker in Cairo

EGYPT and Kuwait have formed joint technical committees to study ways of extending their military co-operation amid signs of a closer defence relationship.

Sheikh Nawaf al-Ahmed al-Sabah, Kuwait's Defence Minister, who has been visiting Egypt, indicated that his country was anxious to increase its defence purchases from Egypt which have totalled some $500m in the past several years. "The aim behind my visit is to discuss military co-operation and ways of developing it," he said.

Egypt has sold its Amoun air defence system and its armoured personnel carrier, the Fahd, to Kuwait. The Kuwaitis are also understood to be interested in other items of defence equipment.

The two countries are also believed to have discussed possible Kuwaiti investment in Egypt's defence industries. Cairo is known to be anxious to attract wider Arab investment in the Arab Organisation of Industrialisation (AOI) formed in 1974 with three partners - Saudi Arabia, Qatar and the United Arab Emirates.

Heavy S Korea aid for textiles

By Maggie Ford in Seoul

SOUTH KOREA is to provide $4bn (£2.5bn) in aid to its textile industry, to modernise plant with the aim of becoming the world's biggest textile exporter by the end of the century.

Under the plan, unveiled by the Ministry of Trade and Industry, companies will be helped to replace outmoded production lines with automated equipment, in order to improve flexibility and upgrade quality.

South Korea's textile industry currently produces exports worth $15bn, third in the world behind Italy and West Germany. The ministry expects exports to grow at an annual rate of 7 per cent over the next five years, to a total of $23bn by 1995.

Domestic demand, which is growing strongly, is likely to take 50 per cent of production over the next 10 years, up from 30 per cent now. Textiles is South Korea's second biggest export industry after electronics.

Under the government plan, emphasis will be placed on design, and companies will be encouraged to set up fashion schools, alongside a new government-funded fashion and design centre to be established in 1991.

Domestic manufacturers are to be encouraged to develop their own brands rather than use those of foreign buyers. A total of $15m a year will be devoted to developing high-technology textiles.

HK entrepreneur 'invests $10m in China power plant'

MR LI KA-SHING, who heads Hong Kong's biggest business empire of Cheung Kong and Hutchison Whampoa, is investing $10m (£6.2m) in a power station project in his south China home area of Chiu Chow, the semi-official South China News Service said yesterday, John Elliott reports from Hong Kong.

Mr Li was said to have signed a letter of intent with the government of Shantou and the Shantou International Power Supply Development Company to subscribe $10m towards the $60m cost of the power station. But a spokesman at Mr Li's main Hong Kong company, Cheung Kong, refused to comment.

The funds are believed to have been made available by one of Mr Li's charitable trusts. He is one of Hong Kong's entrepreneurs shocked by China's recent hardline policies, but is thought to be keen to show he has a commitment both to Hong Kong and mainland China.

FINANCIAL TIMES
SURVEY

Brands and distribution have been at stake in the fierce take-over battles of the 1980s, says **Lisa Wood**. Now, an important theme of the 1990s will be the industry's response to the growing anti-alcohol movement and the concentration of ownership.

Buying less but better

TASTES IN alcoholic beverages are being transformed. Australians are drinking stout. Frenchwomen are drinking Irish and Scotch whisky brands, and Americans are drinking less.

For along with the trend towards more international tastes in alcohol has come increasing concern over its abuse, with the development of a worldwide anti-alcohol movement at a time of static sales.

The development started in the US, where government health and safety warnings are now being printed on bottles and cans of drink, but is spreading to much of the rest of the world, including Britain.

How the industry deals with this issue will, along with increasing concentration of ownership, be one of the most important themes of the industry in the 1990s. "Consolidation and social responsibility will be the two major features of the international drinks industry in the early 1990s," says Mr Tim Ambler, of International Distillers and Vintners (IDV), the wine and spirit subsidiary of Grand Metropolitan.

The two topics are not unrelated. In the UK, for example, it is the big drinks groups – including Seagram, IDV, Allied-Lyons and Guinness – which have been active in setting up a new organisation, called The Portman Group, to tackle alcohol misuse.

The group is hoping to recommend practical initiatives to reduce the health and social burdens associated with excessive drinking.

Enlightened self-interest it may be, but the setting up of The Portman Group typifies the approach of a new breed of senior managers. During the 1980s a number of dynamic managers, including men with a background in marketing, have transformed the industry, bringing with them new personnel and strategies.

These strategies have sought to upgrade the image – and price – of brands, in line with the perception that consumers are drinking "less but better".

Guinness, the stout group, bought Distillers, the biggest Scotch whisky company in the world. Allied-Lyons, the UK brewing and food group, bought Hiram Walker; the Canadian drinks group, IDV, part of Grand Metropolitan, bought Heublein; and Seagram bought Martell. Together, these companies command about a third of the internationally-traded spirits business.

Some of the takeover battles have been ferociously fought: Seagram battled with IDV for Martell, the French cognac house, for example; IDV and Pernod-Ricard, the French group, fought for Irish Distillers, the sole distiller of Irish whiskey. At stake have not only been premium-priced brands, like Martell cognac and Bushmills Irish whiskey, but also distribution.

For international brand development depends as much on distribution as on product name. Mr John Dunsmore, of County NatWest Wood Mac, points out that, despite the power of advertising, it is rare for a global brand to develop simply as a result of consumer demand.

The best illustration, he says, is the ultimate global brand, Coca-Cola: "While this appears to be the complete brand phenomenon, in fact the brand became international or global as a consequence of production and distribution developments," says Mr Dunsmore.

During the Second World War the chief executive of Coca-Cola insisted that all American GIs should be able to purchase Coca-Cola at one cent a bottle. Production plants were set up abroad to facilitate this and, having satisfied the army, Coca-Cola set its sights on the indigenous population.

In spirits, an early example of distribution-led globalisation was the purchase of Liggett Group in 1980 by Grand Met. One of the main purposes for the acquisition was to gain distributive control of IDV's J&B Scotch whisky, then distributed through Paddington, a subsidiary of Liggett.

Paddington also gave IDV the distribution and marketing platform to launch Bailey's Irish Cream. Mr Dunsmore says that, while the strength of the Bailey's brand was crucial to its success, the build-up of distribution internationally by IDV through the 1970s and 1980s has been an equally fundamental part of the brand's success.

In the case of Martell, the acquisition of the house by Seagram gave it improved distribution in east Asia, the fastest growing market-place for international brands of alcohol: "The Far East is clearly for everybody the key growth area in the world and we intend to be in that growth area," says Mr Edgar Bronfman Junior, President of Seagram.

Control over distribution enables the manufacturer to keep the distributor's margin and to have more say in the marketing of brands. One of the biggest tasks to have been faced by Guinness in the reorganisation of its sprawling empire of Scotch brands has been to tighten distribution. Over the past three years it has terminated more than 700 distribution agreements and either taken control of its own distribution or formed joint ventures with other drinks companies, so that it now has control of more than 75 per cent of its distribution compared with 25 per cent in 1987.

Joint ventures have been a critical part of several drinks groups strategies. Guinness has such agreements with Moet-Hennessy-Louis Vuitton, the French champagne and luxury products group, and Allied-Lyons with Suntory. Whether or not such joint ventures could be followed by full takeover bids, or merely provide a presence at the table should Allied-Lyons or LVMH be broken-up, is a matter of endless speculation to stockbrokers in Paris, London and Tokyo.

Forging distribution agreements, as well as buying brands, is an expensive business. Guinness, for example, has about £1bn invested in LVMH in order to safeguard its joint distribution agreements.

Whitbread, in deciding recently to sell its spirits business, said it had not got the critical mass to develop its spirits portfolio internationally. It had either to get bigger or get out and it had decided to invest in its core activities – brewing and retailing.

This is a dilemma that more and more drinks businesses will have to face in the 1990s with both Pernod-Ricard and Brown-Forman potential takeover candidates. Both have substantial family holdings, but, as has already happened in the case of Martell, families can be divided when it comes to some shareholders wanting to realise the value of shareholdings.

By contrast, the globalisation of beer companies and brands will be a longer-term process.

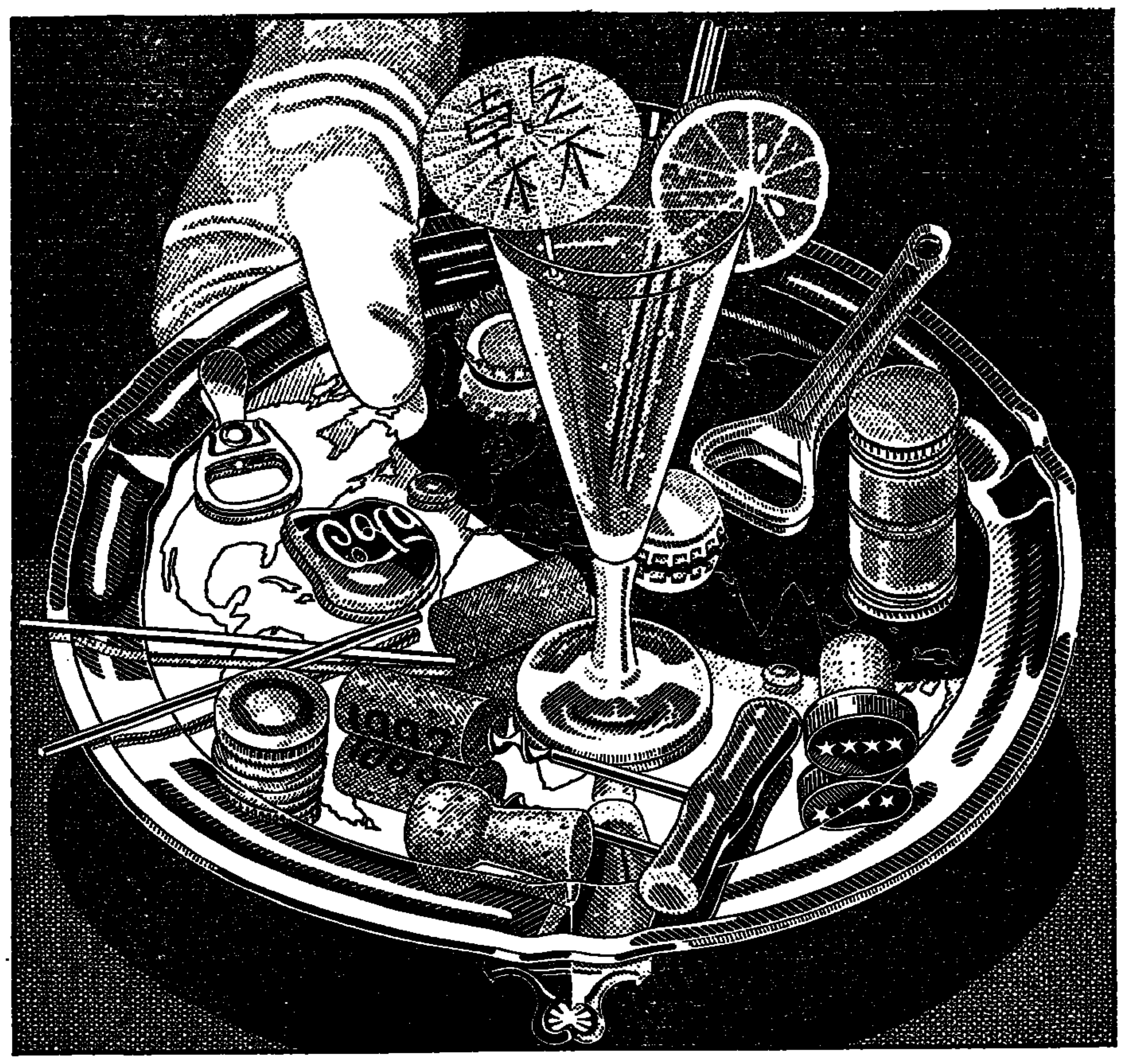
Globalisation of beer, it is argued by the industry, is being made possible by the gradual concentration of domestic markets into fewer and more efficient brewing operations. As this development progresses, the leading companies are beginning to buy into the larger domestic participants in each country, giving them access to distribution outlets. The strategy is already being pursued by Elders IXL, the Australian brewer, which has bought into concentrated markets like the UK and Canada; to these strong domestic networks it has added its own brand, Foster's.

Mr Peter Bartels, chief executive of Elders Brewing, says there are a number of strategic options that might be adopted in Europe by companies such as his own: "Much of the strategic positioning necessary to fight for the European beer markets has already taken place," he says. Heineken, BSN, United Breweries and a few other brewing groups have already acquired brewing businesses and brands in Southern European markets as well as consolidating their virtual monopolies in their home markets."

The European Community, post-1992, ought theoretically, with an absence of tariff barriers, to be ideal territory for the process of consolidation. In the UK, the recent Monopoly and Mergers Commission proposals, due to be implemented by 1992, is forecast to lead to greater concentration of ownership among brewers, a trend which could be accelerated in the EC if the Commission decides to sweep away forms of restrictive purchasing agreements in the industry.

However, apart from these considerations, there are several impediments to concentration in the Community's beer industry, not least fiscal barriers. "The harmonisation of taxation within the EC is going to be the single biggest influence on the European market for beer over the next few years. Excise duty on alcoholic drinks is the biggest barrier to free trade within the EC," says Mr Bartels.

Just how this is to be dealt with, as national governments within the EC do battle over this and a host of other fiscal issues, remains to be seen.



INTERNATIONAL
DRINKS INDUSTRY

CONTENTS

☐ Illustration: Robin MacFarlan

1992 and beyond: the plan to harmonise duties is proving difficult

Flowing across frontiers

SOMETHING is going to have to be done about excise taxes in the post-1992 single European market.

When the borders disappear, the present disparity in excise rates would become an open invitation to Europe's 320m people to indulge in a little cross-border shopping. In Demark, for example, the duty on a bottle of spirits is 100 times higher than in Greece. In most of the southern European countries, wine – which is still thought of as food – carries no duty at all, whereas, in the northern countries, the duty is considerably higher than the cost of producing the wine itself.

For this reason, the plan to harmonise duties on alcohol has proved more difficult than any other EC tax proposal. In many member states, duty on alcohol is a major revenue earner, accounting for approaching 5 per cent of total tax receipts. Any plan that would change this naturally meets strong resistance.

Moreover, the issue cuts across the health, hooligan and farming lobbies. Given such a clash of interests, it is not surprising that the EC has had to climb down over its initial proposals. These envisaged that rates of duty across the Community would be set at a common rate after 1992, roughly equivalent to the European average. However, the opposition from the European Parliament was so strong this plan had to be abandoned altogether.

The replacement proposal, put forward by Mme Christiane Scrivener, commissioner responsible for indirect taxation, consists of a system of minimum rates to be in place by 1992, with a series of target rates for members to aim for at some stage in the future.

The Commission regards this as the bare minimum necessary to ensure that the single market plans do not fail. However, even these modest plans are meeting some resistance from members. Although the floor for spirits duty is below the existing rate for almost all countries, the minimum on wine would require the southern states to introduce duties or to increase them.

As currently laid out, the Commission's plans would involve a minimum duty on spirits of 1,271 Ecu (£784) per hectolitre of pure alcohol, 17 ecu per hl of wine and 9 ecu per hl of beer. In the UK the present duty levels are double in the case of spirts, and 4 to 15 times higher in the case of beers and wines.

In France, the duty on a bottle of wine would be a tenth of that in the UK

The Commission's plans are vague, both on the timing of the move towards a complete harmonisation and on means of preventing cross-border flows of a massive scale in the meantime.

The incentive for drinks to cross borders for tax reasons would still be great, since the duty on a bottle of wine in the UK, for example, would be 10 times that in France. However, the Commission's view appears to be that this is largely a matter for member states. If they persist in charging high rates of duty, it will be up to them to come up with some system of tax-stamps to ensure that their system is not abused.

A second way of keeping the cross-border flows under control would be to extend the system of bonded warehouses that already exists within countries to a linked system operating across Europe. At the moment, bonded warehouses are used to ensure that imports actually enter the domestic excise system – goods are monitored carefully and any movement out of bond makes them subject to tax.

Extending the system to all member countries, however, would not be possible. Although a combination of linked warehouse and tax stamps could be made effective, many countries complain that it would be both expensive and difficult to administer. Indeed, because of the cost, Commission officials say it would probably only be worthwhile for spirits, leaving movements in wine and beer largely unchecked.

The drinks industry, meanwhile, is as concerned as member states about the plans, but for other reasons. While governments have their doubts about the very principle of tax harmonisation because of its implications for their revenues, drinks companies – at least in the high tax countries – are in favour of it.

Mr Mark Leverton, of Guinness, says that if tax rates were not harmonised the result would be chaos. Cross-border flows would be highly disruptive to the industry, with wholesalers tempted to buy their supplies in a low-tax country and sell in a high-tax country.

The concern of the spirts companies is the different rates attached to different kinds of alcohol. "Alcoholic beverages have one thing in common, and that is alcohol," says Mr Jeffrey Wormstone at the Scotch Whisky Association. He argues that it is blatantly inequitable for the rates of duty on drinks to vary so widely. Under the Commission proposals, he claims that spirits would be taxed four times more heavily that beer and eight times more that wine. He would like to see levels set so that there could be free competition between drinks.

Given the scale of the Commission's problems, however, this issue is not likely to get much of a hearing since the proposed system simply extends the discrimination against spirits already evident in the present system.

Meanwhile, the drinks industry has another reason to watch the mood in Brussels with concern. Following the recent tough line taken by the domestic anti-trust bodies in the UK and Germany over the brewers, the Commission is once again examining the brewing industry for anti-competitive practices. Its last enquiry into the tie-up with brewers was in 1984, when it decided that the industry would be given a block exemption from EC competition restrictions, allowing exclusive purchasing agreements, such as loan tie arrangements and the tied-house system.

The Commission is due to come up with an internal report by the end of this year, after which it will draw up its recommendations. This time around, the UK brewers feel they do not have too much to lose, having already been forced partly to loosed ties with their pubs. Complacency may be dangerous – the competition authorities of Brussels have proved themselves quite capable of delivering unwelcome surprises in the past.

Lucy Kellaway

AS FROM the last couple of weeks, Americans will receive food for thought with their alcoholic drinks in the form of government health and safety warnings on bottles and cans. They may need good eyesight to see the warning labels (they will be written in type about the height of two stacked 20p coins on standard sized bottles, and only half that size on smaller containers) but the message will be clear:

"Government Warning. (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery and may cause health problems."

As part of new anti-drugs legislation passed by the US Senate last year, the warning labels are being introduced only two months after beer and spirits companies narrowly escaped a congressional attempt to ban their sponsorship of college sporting events. Both moves highlight the way drinks companies in the States are having their advertising and promotional wings clipped.

Although there is no legal requirement there for warnings on drink advertisements, 10 US states now require warning posters or signs to be displayed in shops and bars selling alcohol, making clear the dangers of drinking to pregnant women. Following the – albeit unsuccessful – filing of three law suits in Seattle earlier this year against brewers and distillers, in which parents alleged birth defects owing to the consumption of alcohol during pregnancy, other states look certain to follow.

There are also moves afoot to restrict alcohol advertising's freedom to appeal to young people, to increase tax on drink, and even to eliminate Happy Hours in the US, thanks to an initiative launched by former Surgeon General C. Everett Koop before leaving office last summer.

However, the introduction to the UK of health and safety labels similar to those in the US looks to be a long way off. "Nothing has developed in the past year to indicate that Europe is going to follow the US example," said Mr Peter Mitchell, strategic affairs director for Guinness.

Like most UK drinks companies, Guinness is heavily resistant to health warning labels, taking the line that they are not an effective way of getting information across to the public. Tim Ambler of International Distillers and Vintners favours warnings in bars and off-licences ("although that would make it appear like an illicit drinking saloon, which would have its own attraction," he claims). But, again,

But they can't follow the bear any longer

ADVERTISING

Codes shield the young

the Government shows as little sign of introducing these as it does of bringing in the long called-for levy on drinks advertising.

More likely is the possibility of units of alcohol being marked on bottles and cans. This is something Diane Hayter of Alcohol Concern predicts could become a reality as soon as 1992. "Increasingly, people are getting used to the concept of units. Ninety per cent of 18-21 year olds recognise the term and 50 per cent of adults under 50," said Ms Hayter, who is currently embroiled in discussions on the matter with manufacturers.

The most significant recent move in the UK, though, is a tightening up of the Independent Broadcasting Authority's code of practice governing drinks advertising on television. A voluntary ban on the advertising of spirits on television (although not in the cinema) has been in operation for the past 30 years but beer and wine ads are still permitted on the small screen.

The revision of the code, which was carried out in consultation with the Government's Committee on alcohol misuse chaired by Mr John Wakeham and introduced at the end of last year, would have pleased ex-Surgeon General Koop. It was designed to steer alcohol advertising away from appealing to young people – one of the anti-alcohol lobby's biggest bug-bears – by banning the use of celebrities or characters that might appeal to under-25s and specifically disallowing the use of humour as a way of flouting the code.

Its implementation has led to the disappearance of a number of familiar advertising characters over the past year, most notably from beer commercials. Among them are George, the break-dancing, trilby-wearing bear in Hofmeister's campaign; Hagar the Horrible, the Viking cartoon character that promoted Skol lager; and Jonathan Ross, the Channel 4 presenter who advertised Harp.

Anti-alcohol pressure groups were mollified by the changes but argue that advertisers continue to break the spirit, if not the letter, of the revised code, which cannot help but be imprecise. Mr Ray Hatter of the Federation of London Alcohol Groups said: "Too many advertisers treat their failure to adhere to the code as a game."

Like the rest of the anti-alcohol lobby, Mr Hatter would like to see a complete ban on drinks advertising on TV and in the cinema. This would bring the UK into line with the increasing practice in other European countries. At present there exists what amounts to a patchwork quilt of regulations across Europe but within that Norway, Finland, Sweden and France have all removed alcohol ads from their large and small screens. And France, in common with Belgium, Greece and Germany is currently considering the kind of blanket ban that has been in force in Iceland for 60 years. Italy and Spain observe codes of comparable strictness to those in force here.

But if Mr Hatter and other anti-alcohol campaigners are hoping 1992 will bring with it a more stringent common European policy governing drinks advertising or even the ban they seek, they are likely to be disappointed. The trans-frontier broadcasting agreement hammered out last month in Brussels appeared to be closely modelled on the existing British code of practice as far as the sections governing advertising were concerned. And it looks unlikely that anything as specific as a regularisation of rules across Europe will be implemented in the near future.

"What will probably happen is that alcohol advertising both here and across Europe will drift the same way as cigarette advertising," predicted Mr John Hegarty of advertising agency Bartle Bogle Hegarty, which handles the Whitbread account. "Because the restrictions impose so many limitations, such as not being able to use fashions, music, actors or humour that might appeal to young people, alcohol advertising will have to become more and more bizarre." Mr Hegarty used the surreal Benson and Hedges and Silk Cut poster campaigns as examples of the direction drinks advertising may well find itself forced to follow in future.

Advertising agencies will, however, be able to channel their creative energies into campaigns for low-alcohol and alcohol-free products, which industry pundits believe will see an upsurge in advertising expenditure. Of the £200m spent on advertising alcohol in this country over the past year, £11.5m went on promoting low-alcohol and alcohol-free beer and wine and the sector looks set to grow as far as advertising is concerned. "It works in two ways. Firstly, it's the market of the future, so to ignore it would be madness. Secondly, drinks companies very much want to be seen to be doing the right thing, so promoting low-alcohol products is good for their image," Mr Hegarty said.

Lisa O'Kelly

CHAMPAGNE

Rationing is forestalled

CHAMPAGNE producers are in a tight corner these days, with panicky talk of shortages and rationing.

Their predicament is an enviable one, however, as they see themselves obliged to raise their prices on a product that they are still more than reasonably sure of selling.

The problem is the scarcity of champagne. Over the last 20 years, total demand for champagne has grown by over 5 per cent a year on average. In the same period, the area of Champagne planted in vines has risen less than half as fast, by 2.4 per cent a year on average.

With 27,000 hectares already planted, there remains little margin for extending the vineyard within the area classified by the 1927 law which governs the production of champagne.

At the same time, the independent growers and co-operatives have for some years now kept back more of their grapes to make their own champagne, instead of selling it to the big *"maisons de négoce"* like Moët et Chandon, Laurent Perrier or Lanson. The négoce, which includes all the best known brands of champagne, accounts for 62 per cent of total champagne sales and 98 per cent of exports, but – with rare exceptions such as Roederer – it must buy in around 80 per cent of its grapes from independent vineyards, which have become increasingly reluctant to meet their big customers' needs.

The problem is coming to a head this year as grape producers and champagne houses try to negotiate a new six-year contract to govern their mutual obligations.

By the terms of the contract, vineyards engage themselves to supply a certain proportion of their output to the négoce, while the négoce undertakes to buy a certain minimum quantity in years of surplus. The contract also lays down a mechanism for fixing the price of grapes each year.

Mr Jean-Michel Ducellier, head of the Ayala champagne house and chairman of the négoce syndicate, says he is confident of signing a framework contract with Mr Marc Brugnon, his opposite number on the vine-growing side, next month. It will then be up to individual vineyards and maisons de négoce to sign engagement agreements, but if the vineyards do not agree to supply a large enough proportion of their grapes, the contract may never be put into effect.

"At the moment, the vineyards have engaged to supply 47 per cent of their production to the négoce. The négoce says that if this proportion is not improved, and all the more, if it is reduced, there won't be a contract," Mr Ducellier says.

"We say to the vineyards: give us enough grapes, even if we have to pay dearly for them."

Mr Ducellier also wants to include in the contract a number of strategic objectives, including the goal of planting 500 to 600 hectares a year of new vines, up from the current average of 300 hectares a year.

But he also believes that, sooner or later, the area defined by the 1927 law should be enlarged. The zone excludes from the "Appelation d'Origine Controlée" area a number of areas which many in Champagne believe could be planted without any reduction in quality.

Mr André Bénard, chairman of Moët et Chandon, the leading maison de négoce in Champagne, agrees.

"I hope we will have the courage to revise the appelation area to include zones where we know we can make excellent champagne," he says.

The négoce has tried other solutions. Mercier, part of the Moët group, has signed an agreement with the Chouilly co-operative to ensure its supplies of grapes, with the setting up of a joint venture company – an agreement which some of Mercier's competitors view as a compact with the devil.

Others, including Moët, have set up wineries elsewhere in the world to produce sparkling wine by the champagne method; but the product is still not champagne.

The only alternative is to push the product further up market, especially in France, which accounts for 62 per cent of total champagne sales and where rapid demand growth has put champagne on every supermarket shelf.

"It is obvious that soon we will not have enough champagne to sell, and prices will have to go up. It is a high image product, a bit of luxury, and everything which is rare is expensive," says Mr Hubert Millet, head of the Seagram group in France, which includes the Mumm and Perrier-Jouet champagnes. Mr Bénard agrees.

"If champagne remains with the current production area, then growth will be feeble for the next 10 to 15 years. Champagne will then tend to be revalued and to become, if not a product reserved to the few, at any rate less affordable," he says.

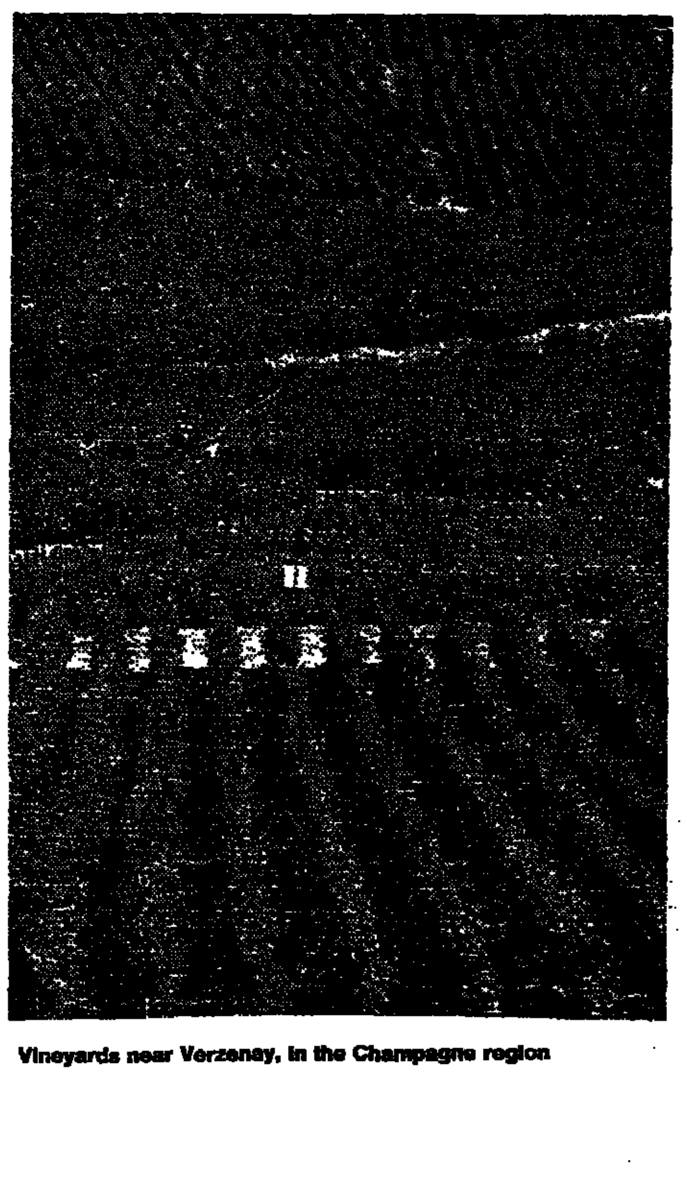
The prospect is one that Mr Ducellier, for one, views with equanimity.

"I have fixed an objective for Ayala of 1m bottles, and when I reach that I will take a breather. Volume for volume's sake does not interest me. If I can make as much money selling fewer bottles, why should I break my back to sell more?" he asks.

In the immediate future, the prospects of champagne rationing have receded after this year's exceptional harvest. Estimates of the size of the crop have been steadily revised upwards over the last few months, with a second flowering as good as the first – an unusual event, since usually the second flowering is so late in the year that the grapes do not have time to ripen properly.

The crop, besides being of very good quality, is now estimated to be equivalent to at least 275m bottles and possibly as much as 300m bottles, substantially more than this year's sales, which are likely to reach around 255m bottles.

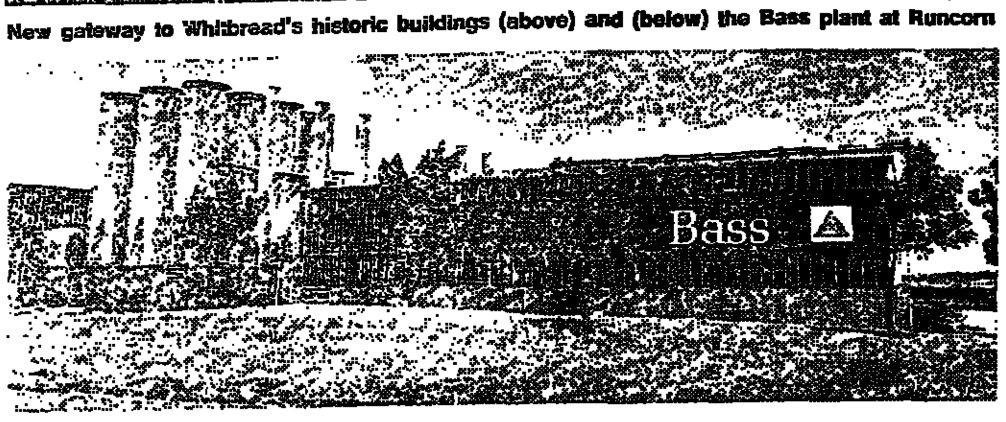
That should leave enough for a few more toasts.



Vineyards near Verzenay, in the Champagne region

George Graham


Seagram
G.H.MUMM & C°
REIMS
FRANCE
ROUGE
BRUT
REIMS



New gateway to Whitbread's historic buildings (above) and (below) the Bass plant at Runcorn

Philip Rawstorne looks at beer brands

Taking on the world

EVER SINCE Heineken set out before the turn of the century to refresh parts of the world that other beers then could not reach, the internationalisation of the brewing industry has continued its gradual but inexorable progress.

The Dutch brewer, after dominating its small home market, began its worldwide expansion in 1864. Today it is the most international of beers, with three-quarters of its sales outside the Netherlands.

The group has breweries in Canada and Malaysia, France, Spain, Greece, Ireland and Italy.

Its brands are produced under licence in the UK, Norway and Sweden. It is the leading imported beer in the US, and it is a familiar drink in Africa, South America and the Caribbean.

Heineken's example has been followed, with some variations, by a small, but powerful, number of other brewers. In each case the stimulus to seek new opportunities abroad has come with the achievement of dominant positions in mature domestic markets.

Carlsberg, the Danish brewer, now draws more than half its profits from sales in the UK. Guinness has spread from Ireland, by way of the UK, into another 120 countries.

In the 1980s the globalisation process had been given fresh momentum by the aggressive emergence of Australian brewers, Elders and Bond, which had virtually divided their home market between them.

Elders shouldered its way unceremoniously into the UK, buying Courage in 1986, tilting unsuccessfully for Scottish & Newcastle.

Last year, it had pushed its Foster's lager to a 6 per cent share of the market.

It has gained a substantial foothold in Canada by buying Carling O'Keefe in 1987, and it is vigorously attacking the US market.

Bond, brewer of Swan and Castlemaine, bought Pittsburgh Brewing and Heileman in the US, and has also entered forcefully into the UK and Canada.

The process of concentration and rationalisation which encouraged these expansionist ambitions has, to a lesser degree, been seen in France, Belgium and Canada, leading to the export of brands such as Kronenbourg, Stella Artois, Molson and Labatt.

But the US has so far proved an exception to the pattern. The off-shore achievements of Anheuser-Busch, the world's biggest brewer, have been modest. Only 2 per cent of production is sold abroad.

Anheuser's entry into the UK market with Budweiser in 1984 has not matched the success of the Australian incursions. Budweiser suffered from the poor image which US beers have in the UK, and advertising which lacked impact. For the moment, Anheuser seems preoccupied with a price war in the US as it tries to raise its market share from 42 per cent to 50 per cent.

In the 1980s the globalisation process had been given fresh momentum by the aggressive emergence of Australian brewers, Elders and Bond

But nobody in the brewing industry would bet against it becoming, in the near future, a serious international competitor. Miller Lite, the product of its main US rival, meanwhile, is being marketed to some effect in the UK by Elders.

Those brewers which have taken the international route have largely followed the same course – direct exports, licensed production and/or acquisition and, more recently, joint ventures. The key to global growth has clearly been to secure distribution.

"Distribution will be a prime motivating force in most future corporate manoeuvres," says Mr Peter Bartels, chief executive of Elders Brewing.

The main area for such manoeuvres in the years ahead is likely to be the UK and Western Europe which together account for 30 per cent of world beer sales.

For while there are prospects of longer-term growth in markets such as South East Asia – and Heineken, Guinness and Carlsberg, in particular, are positioning themselves for it – the premium end of the West's developed markets still offer the best immediate rewards.

The UK looks especially attractive to international players. The market is still relatively fragmented. No single brewer dominates. Bass, the biggest, has a 22 per cent share.

Sales of lager – the international product – is increasing. The shake-up initiated by the Monopolies and Mergers Commission could open new opportunities in distribution.

The UK could also be used as a springboard from which to enter the more chaotic and complex markets of continental Europe after 1992.

Elders, earlier this year, sold a $80m stake in Anheuser-Busch to concentrate on its European strategy. Mr Bartels says: "Europe will remain a collection of mature and fragmented national industries ... In the short to medium term, each country's beer industry will remain highly individual ... characterised by regional loyalties and local consumer habits and preferences."

This is likely to particularly true of West Germany, the biggest market, which is served by a host of regional brewers.

But similar consumer parochialism has been overcome elsewhere – not least in Australia, says Bartels. And though other difficulties – of culture and language, government intervention, environmental issues, advertising regulations – may slow the process of internationalisation, he is confident that it will come.

Heineken and BSN, of France, are among those already acquiring breweries in southern Europe, notably Spain and Italy.

Direct exports and licensing arrangements will continue to be strategic options, says Mr Bartels.

But he believes joint ventures between the multinationals and European brewers will become an increasingly important way to secure distribution.

"When the various links are finalised, a number of real pan-European brands may well emerge, but with a variety of local distribution and marketing arrangements ... In other words, a multi-local rather than a pan-European solution.

"Europe will continue to enjoy a rich diversity of beers and will be served by a combination of domestic brewing companies and international companies," Mr Bartels predicts.

The process of distribution-led globalisation, indeed, seems unlikely ever to produce a single dominant brand of beer.

Many see the the Guinness experience in the US – where it has created a powerful distribution network selling a portfolio of brands – as a more probable guide to the future for international companies seeking to reap the benefits of economies of scale and to withstand the pressures on margins of increased competition.

Monopolies Commission scrutiny provokes period of introspection

Brewing industry heads for change

REVOLUTION is fermenting in the British brewing industry. It is a revolution that started two years ago when external scrutiny by the Monopolies and Mergers Commission into the sector provoked the industry into a rare period of introspection.

This self-investigation, combined with the opportunities that will be thrown up in the marketplace by the MMC's proposals, due to be implemented by the Government over the next few years, will provoke a change that over the next decade will transform the face of the British brewing industry.

It is a change that, in direct conflict with the intention of the MMC investigation, could result in greater concentration as companies focus on either brewing or retailing in what is at present a vertically integrated industry.

Mr Ian Prosser, chairman of Bass, Britain's biggest brewer and pub owner, commenting on the Government's proposals, which are now in final draft order form, said: "The orders will speed up companies strategic planning and direction.

"Whether they will lead to brewers disposing of pubs or pub owners selling breweries remains to be seen.

"I believe that events in the next few years will inevitably lead to greater concentration in both the brewing industry and the ownership of pub retail outlets, to mirror all other consumer industries."

First indications of this restructuring have already started to emerge. In September Boddington, a brewer of real ale in Britain for 136 years, made the surprise announcement that it was selling its brewing operations, including the Boddington real ale brand, to Whitbread, the big brewer and retailer, in order to concentrate on retailing.

The second announcement was that Whitbread itself was selling its spirits operations – including Beefeater Gin and Long John Scotch whisky. The division is a relatively small player in a competitive global marketplace where the pace is being set by companies including Guinness, Allied-Lyons, Seagram and Grand Metropolitan.

Ian Prosser

Whitbread said it had decided it either had to get bigger in spirits or get out. In addition, it wanted to concentrate on core businesses. Mr Peter Jarvis, the group managing director, said in October, when he put the division up for sale: "By focusing on chain retailing, on our pubs and our beer brands, we can concentrate our skills and resources more effectively."

The lengthy MMC investigation forced brewers to re-examine operating divisions and formulate strategic options

Both Boddington and Whitbread argue that the MMC investigation and its subsequent findings did not provoke these strategic moves.

Nevertheless, neither of them dispute the fact that the lengthy MMC investigation, which demanded a host of answers from Britain's brewers, forced them to re-examine their operating divisions and formulate strategic options.

These options are currently being vigorously run over the slide rule by all of Britain's brewers now that the Department of Trade and Industry has published its final draft orders for change in the industry.

The MMC's initial recommendations, published in March, advocated radical reform of the British industry. In particular, the MMC sought to put a ceiling of 2,000 on the number of any pubs a brewer could own.

Faced by widespread opposition from both big brewers and the smaller regional ones, Lord Young backed down on this proposal and several others.

Most potent in the big brewers' armoury was their claim that they would consider selling their breweries rather than disposing of pubs in excess of the 2,000 figure.

Brewers claimed that the MMC investigation failed to understand that their strongest growing profit area was retailing, not brewing beer.

Lord Young offered a compromise with the final draft orders, currently laid before Parliament, further softening the Government's requirements of the big brewers.

The plans, scheduled to be put into effect by December 1992, include the requirement that all brewers owning more than 2,000 pubs must release the tie on half those outlets in excess of that number – that is to allow the publican-tenant to buy his beer from any source.

In addition, brewers owning more than 2,000 pubs will have to allow all their tied outlets to sell one draught conditioned ale supplied by a competing brewer.

This latter proposal was intended to help smaller regional brewers which have had ale brands that have suffered from the inexorable increase in sales of lager brands, many of which, like Courage's Fosters brand and Bass's Carling Black Label brand, are heavily promoted nationally.

However, the sales pattern that will finally emerge in the industry may be very different from this intention.

Peter Jarvis

For, as in the case of Boddington, many regional brewers will find they do not have the muscle to promote their ale brands in what will become an increasingly aggressive market-place.

This competitiveness, at the wholesale level, is likely to be compounded by decisions taken by the brewers, the big ones in particular, as to where they will focus their efforts.

City analysts agree that many of Britain's big brewers will ultimately opt to become either brewers or retailers. Ms Michelle Proud, of County Nat West said: "In the long run I cannot see any of the big six brewers, except Bass, Courage and Scottish & Newcastle, remaining as brewers. Guinness is, of course, an exception since it does not own pubs."

City analysts agree that many of Britain's big brewers will ultimately opt to become either brewers or retailers

Whitbread, Grand Metropolitan and Allied-Lyons, Ms Proud believes, will, in the longer term, sell their brewing operations and concentrate on their pub operations and restaurant businesses.

This decision will stem partly from the fact that all these three companies brew significant amounts of their beer brands under licence and so are not such strong brand owners as the other three brewers, particularly Bass.

Stripped of their brewing operations, Whitbread, Grand Met and Allied-Lyons would not be forced to free of the tie their pubs in excess of 2,000 and could operate them all as managed houses.

City analysts argue that there would be plenty of potential purchasers for brewing assets.

Elders IXL, which owns Courage, is hungry for more brewing capacity in the UK and on the Continent.

On the other hand, Anheuser Busch, the US brewer which has the Budweiser brand brewed under licence by Grand Met's Watneys brewing division, wants to strengthen the brand in the UK and on the Continent.

Similarly, Heineken, the Continental brewer is likely to be interested in acquiring the brewing operations of Whitbread if and when they are put up for sale while Carlsberg, the Danish company which brews in the UK, already wants more UK manufacturing capacity.

Such a development in the sector, with a more focused retail and property driven approach in the UK marketplace, could anticipate another investigation currently under way in the European Commission.

Here the EC is looking particularly at whether the regulations governing loan or other tying arrangements currently allowed under a 1984 block exemption should be modified before 1990.

Should these be swept away, a number of European brewing companies, including those operating in the UK such as Bass, would find major new opportunities within the European Community.

Lisa Wood

Majestic Wine warehouse at Albion Wharf, Battersea

Trevor Humphries

BORDEAUX

The reference for quality

NATURE HAS smiled on the winemakers of Bordeaux in the 1980s. A number of years have produced excellent wines, and the 1989 vintage, with a long dry summer and unusually early grape harvest, seems likely to be exceptional.

High quality has pushed the prices for red Bordeaux wines, and especially the top "crus classés", substantially higher, while white wines, faced by mounting world demand, are in such short supply that their prices have been soaring upwards.

After the hiccups of the 1970s, when a sharp downturn in prices plunged France's premier wine region into crisis, the current decade has seen much more prosperity; and at the same time, Bordeaux has remained the world reference for wines of quality – the wine with which all others are compared, even if blind tastings sometimes give the palm to Californian or Italian vintages.

The diversity of separately identified areas such as Médoc, Graves or Saint Emilion, within the Bordeaux region, often confuses consumers, who increasingly buy off the supermarket shelf.

Efforts by the négociants, or wine merchants of Bordeaux, to impose their own brands have, however, proved long and costly, and sales under individual chateau names remain the norm.

"The grands crus are very easy to sell. Building up a brand is much more difficult and slow to get going," says Mr François du Chaxel, of négociant Ginestet.

With 105,000 hectares of vineyard planted, Bordeaux is one of the largest winegrowing regions of France. More importantly, however, the area has led the way in pushing for higher quality, and now almost all of its production is in the form of "Appelation d'Origine Contrôlée" (AOC), with precise constraints laid down by law on production areas, techniques and quantities.

In the early 1950s, the Bordeaux vineyard totalled over 130,000 hectares, with 40 to 45 per cent of this area producing lower quality table wines. After the great frosts of 1955-56, when many vines were destroyed, growers replanted with higher quality vines – even now, only 6 per cent of Bordeaux's vineyards produce table wine.

The same movement saw growers swing away from white wines. Two-thirds of Bordeaux wine used to be white, and this artificially sweetened product developed an unenviable reputation for giving headaches.

Today only around 30 per cent of the production is white, and the white wine which remains is, almost entirely, either good quality dry wine or the top class dessert wines of the Sauternes and Barsac areas, the sweetness of which is produced naturally through the "noble rot", which increases the grape's own sugar, rather than through the artificial addition of sugar.

The pendulum is now starting to swing back. World demand for dry white wines has grown strongly, although the domestic French market has been slower to revert to white wine, and Bordeaux has been somewhat left behind by its inability to supply the market.

In major export markets like the UK, the Netherlands and West Germany, white wines already account for nearly a third of all Bordeaux shipments while, in the US, the proportion has risen to over 40 per cent.

After the hiccups of the 1970s the current decade has seen much more prosperity

"There is now a big demand for dry white wine, but you can only sell it if it is of good quality. White wine is now selling for more than red, which has not happened in 30 years," says Mr Herbert Mussotte, economics director of the Conseil Interprofessionnel du Vin de Bordeaux (CIVB), the organisation which groups both growers and merchants.

AOC white Bordeaux is now selling in bulk for FFr6.50 to 7.00 a litre, compared with FFr6.00 for red, but there is already no more white to be had from the 1988 harvest, and the négociants have stepped up their advance purchases for 1989, with the harvest barely over, in order not to be left behind.

Things are also looking up for the sweet Sauternes, which had slumped since the 1950s. Red Bordeaux vineyards are limited by law to a certain yield per hectare, fixed this year at 66 hectolitres, but for Sauternes the yield this year was fixed at only 25 hectolitres.

"Some of our clients say the wine is now too expensive, but we are only catching up with our production costs. We are now at levels which allow us to turn from just functioning to investment, where we are 10 years behind the Médoc region," says Mr Michel Garat, who runs Chateau Bastor Lamontagne, owned by Crédit Foncier de France, the property financing group.

Crédit Foncier took over Bastor Lamontagne almost by accident in 1986, when its then owner defaulted on a loan, and it has owned the nearby Chateau Saint Robert, producing red Graves wine, for even longer, going back to 1879.

But the last three or four years have seen a sudden surge in institutional investors' interest in the vineyards of Bordeaux.

The CIVB has noted at least eight chateaux bought by insurance companies since 1987, not to mention a number of other purchases by financial investors. This investment interest, alongside the demand from wine shippers and importers, has helped push prices up to previously unimaginable levels – with the first growth Chateau Latour going to Allied-Lyons, the British drinks and catering group, for FFr25m a hectare.

As recently as 1983, in contrast, Chateau Haut-Brion, the great Graves vineyard perched on the very edge of the city of Bordeaux, felt obliged to step in to buy its neighbour, La Mission Haut-Brion, at around FFr5m a hectare to prevent it from being snapped up for property development.

Among the most active investors has been the AXA insurance group, which has put its properties together in a subsidiary called AXA Millésimes and entrusted their supervision to Mr Jean-Michel Cazes, the owner of Chateau Lynch-Bages – whose wine, though only a fifth growth in the official Bordeaux classification of 1855, was last year rated above the first growth Chateau Margaux by the US magazine Wine Spectator.

"An institution can have a longer view of its investment than an individual owner, whose view is necessarily defined by his lifetime," comments Mr Garat of Bastor Lamontagne.

But there are signs of concern at the appetites of the institutional investors, from individual owners, who fear the inheritance taxes on their properties may be calculated on the basis of these inflated prices, and from companies in the wine business who fear the market may be losing touch with commercial reality.

"Buying a Bordeaux vineyard is now essentially a property speculation, with payback periods on the actual production of over 15 years," says one wine merchant.

The market may be turning, however. The British group Brent Walker spent a long time looking for buyers for the four vineyards it acquired with the Eschenauer group, including Chateau Rausan-Segla, without notable success. It eventually sold them for FFr514.3m to a trust foundation for the children of the company's chairman, Mr George Walker. Chateau Lascombes has also been on the market for some time.

Garantie Mutuelle des Fonctionnaires, one of the first insurance groups to move into Bordeaux, has also just sold 40 per cent of its wine interests, including Chateau Beychevelle, to Suntory, the Japanese drinks giant which already owns Chateau Lagrange.

The wine itself continues to march on, as Bordeaux continues to cement its place in the world wine market as the reference for quality.

George Graham

SPIRITS

New markets in the east

BRITISH GROUPS have been the moving force within the global drinks industry in the 1980s. Mergers and acquisitions resulted in increasing consolidation of the industry, and brand power was the name of the game.

Grand Metropolitan led the way with its acquisition of Heublein and *Smirnoff* vodka. Allied-Lyons acquired Hiram Walker and, with it, Ballantines Scotch whisky and Courvoisier cognac. Guinness acquired its US distributor, Schenley, also owner of IW Harper, a leading bourbon in Japan, and in Europe, Canadian giant Seagram fought GrandMet for Martell cognac.

UK companies now control 36 per cent of the spirits business in America. But what next? Where will the action be in the 1990s?

Within this decade we shall see the unification of the European market, and the realisation of the Pacific dream – a major market-place of 490m people, with high expectations and incomes to match. Are the world's spirit companies well prepared to exploit the excellent potential these markets offer?

Canadian distillers Seagram, with perhaps unexpected prescience for a north American company, has long-established affiliates in Europe. Its sales outside north America have tripled since 1983. Its wholly owned distribution network carries its international brands, including Chivas Regal, Glenlivet, Mumm champagne, and Martell, plus local brands. It also successfully distributes its competitors' products.

Grand Metropolitan's IDV, the world's leading liquor company in terms of case sales, also has its corporate attention focused on Europe. Its J&B whisky sells over a 1m cases in Spain, and Europeans love Bailey's and Malibu. IDV began to establish its pan-European network in 1986 with a series of joint ventures with Cointreau and Cinzano, now covering six of the EC markets.

Alliances of this nature are a popular solution to acquiring distribution control. Costs can

spirits in Japan, and 52 per cent in the Far East overall. Guinness boss Mr Anthony Tennant, having rationalised his European distribution, is in no doubt of the importance of the South East Asian markets.

The group forged an international alliance with Moet-Hennessy, cemented by a cross share holding, which includes most markets of the Far East. The partnership is proving unbeatable with United Distil-

Within this decade, we shall see the unification of the European market, and the realisation of the Pacific dream – a major market-place of 490m people, with high expectations and incomes to match

be honed and the combined brand portfolios provide efficient operating volumes. This improves profits and permits a high level of marketing support, giving the group more leverage to deal with its major customer – the retail trade. In a united Europe, this will be increasingly important.

"Brand power is not at all easy to translate from one market to another," admits Mr Tim Ambler of IDV, owner of the world's favourite vodka. Chinese and Japanese palates prefer brown spirits, and especially cognac. These are "warm", stimulating and invigorating, whilst white spirits are seen as "cold" and depressing. The recent restructuring of taxation in Japan and liberalisation of the markets of South Korea and Taiwan has led to a boom in whisky and cognac.

The four major drinks groups hold a combined share of 48 per cent of imported

ers range of premium Scotches and the world's leading brand of cognac. In Japan Hennessy is showing dramatic growth and should top half a million cases this year.

Last year United Distillers set up its own marketing and distribution companies in Japan, and no less than 21 per cent of Guinness's profits are already generated in the Asia/Pacific area. United Distillers' bold strategy is to be the second biggest spirits business in Japan.

Gift-giving is a way of life in Japan, and to exploit this United Distillers are marketing a number of prestige brands especially designed for this sector. Latest among these is the Harper President's Reserve Bourbon, a mellow aged bourbon, confidently priced at the top of the range. United Distillers are also launched Old Parr Superior, described as Japan's "ultimate" whisky and aimed at the Japanese business and political élite.

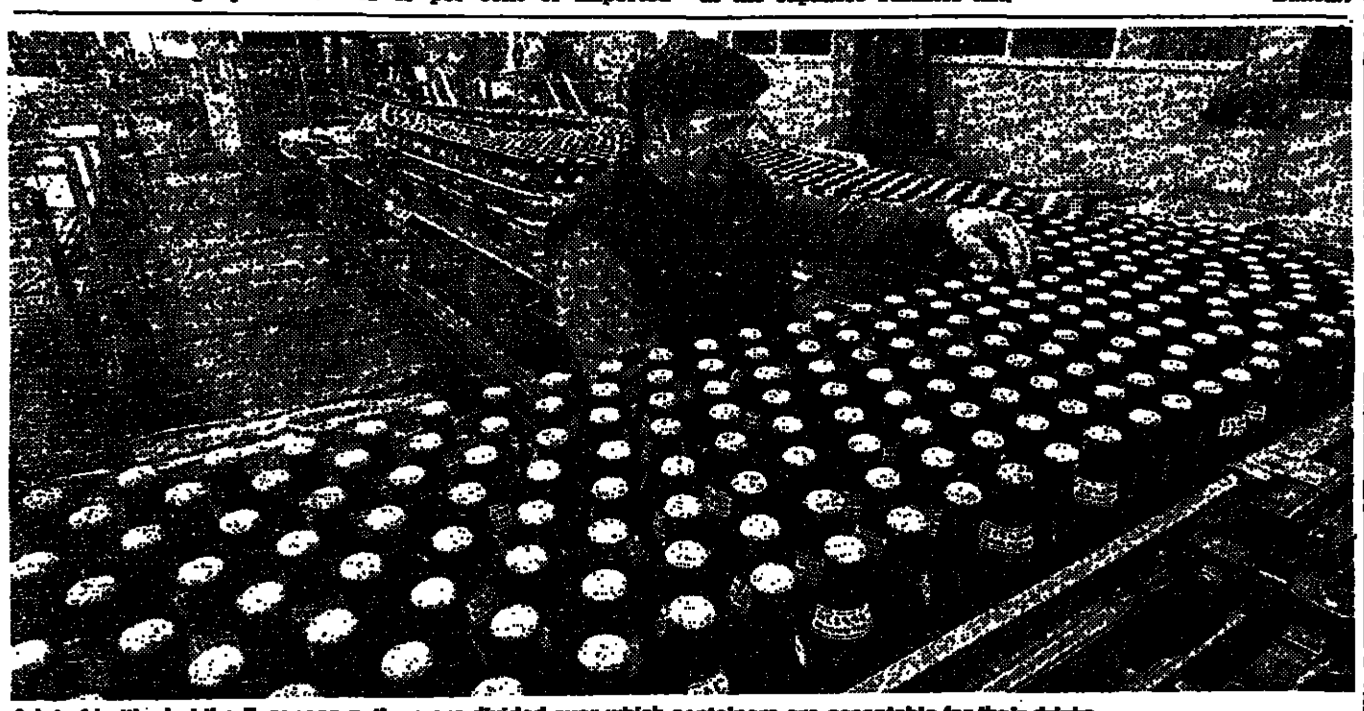
The high price Seagram paid for Martell was justified in its eyes by the strategic advantages of gaining the brand's well-established Far Eastern distribution system. It is the leading cognac in Hong Kong, Singapore and China, and the key to Seagram's international growth strategy. *Seagram* now controls its distribution throughout the region, and has a perhaps surprisingly affable arrangement with IDV to distribute its products (excluding Japan).

Allied-Lyons owns one of Europe's most popular Scotch whiskies, Ballantines. This, along with Courvoisier cognac, is being translated into brand power in Japan. Although a late starter, the group has filled the vacuum created by United Distillers when it withdrew its brands from Suntory. Allied has now formed a potent alliance with this leading Japanese distiller. The secure long term agreement with an international drinks group makes Suntory eager to put its considerable talents behind the new portfolio.

Acquisition of brands or distributors has been a major preoccupation of the 1980s. Players such as Whitbread, unable to compete in the big league, are quitting. Whilst "add-on" acquisitions of local brands will continue to occupy management, future growth opportunities through the acquisition of top flight brands such as Beefeater or Long John will be increasingly rare.

Mary Hall

Editor, International Drinks Bulletin



A lot of bottle: but the European nations are divided over which containers are acceptable for their drinks

SCOTCH WHISKY

Tax harmony looks crucial

DISTILLERIES are re-opening, world sales are on an upward trend, profits are increasing and share prices rising.

That is the current state of health of the Scotch whisky industry some six years after the sector was written off by commentators with headlines like "Scotch on the Rocks".

It is a 1½ to 2 per cent per annum recovery, which the industry believes can be sustained, although the major players concede that forecasting demand – in a business that requires stocks to be laid-down for several years – is a highly complex and potentially treacherous enterprise.

Complex, not simply in terms of volumes of new Scotch "fillings" to be laid down, but also in terms of their product mix in a market-place where, for example, malt whiskies, as distinct from blended whiskies, which contain grain and malt whiskies, are becoming – albeit from a very small base – increasingly popular.

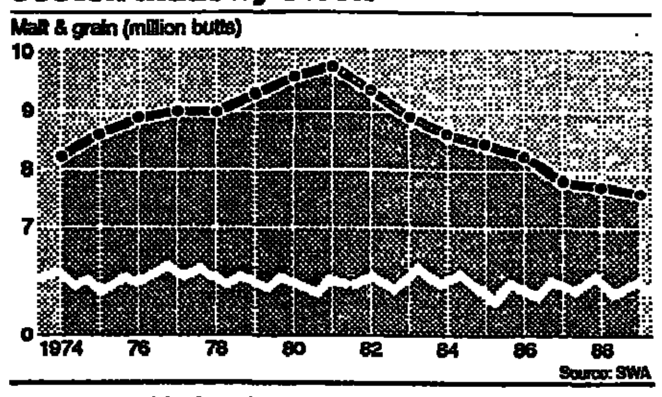
Mr Tony Greener, managing director of United Distillers, the Guinness spirits subsidiary, said: "Only one thing is certain – that we all will be wrong. It is impossible to predict the level of demand in say, 12 to 15 years. All I can do is to take a careful view about volumes of new fillings and their mix."

Failure to rein in production quickly, after the onset of the recession and a sudden downturn in Scotch sales in the late 1970s, punctured manufacturers' profits in the mid-1980s. In addition, the biggest company in the industry, the Distillers Group, failed to give positive leadership in a world spirits industry where tastes and lifestyles were changing.

The acquisition in 1987 of Distillers by Guinness has been the major catalyst for change in the industry. Not because Guinness, which also acquired Arthur Bell & Sons, the distiller of Bell's Scotch, has had all the bright ideas. Rather, United Distillers – which brings together all the group's spirits brands – has had a huge impact on the market-place because of its sheer size.

United Distillers, with brands that include Johnnie Walker and White Horse, accounts for over 35 per cent of all Scotch sales. Competitors include Seagram, the Canadian drinks group, Allied-Lyons, Grand Metropolitan, Whitbread – which has put its spirits division up for sale – and several smaller companies including *Highland* Distilleries and William Grant.

Scotch industry stock



Guinness, with the takeover of Distillers, inherited a substantial stock surplus, the greater part of the proverbial "whisky loch". United Distillers embarked on a strategy of re-pricing and rationing of stock with the result that bulk Scotch prices have more than trebled in the last two year.

This was part of a core strategy: the object was to upgrade both the price and the image of Scotch Whisky after a long period in which Scotch stocks had been sold off cheaply, fuelling a commodity image and cheap own-label brands. Mr Neil McKerrow, managing director of Macdonald Martin Distilleries, a small distiller

years by United Distillers is part of a key trend in the business. *Ownership of distribution*, a strategy vigorously pursued by other drinks groups like Seagram and IDV as well as United Distillers, allows companies to have far more control over the marketing of their brands.

Through the acquisition of distributors – and the forging of joint venture agreements such as that with Möet Hennessy-Louis Vuitton – United Distillers now controls, or has a direct say in, over 75 per cent of its marketing and distribution, compared with only 25 per cent in 1987.

This strategy brought con-

The acquisition in 1987 of Distillers by Guinness has been the major catalyst for change in the industry... United Distillers has had a huge impact on the market-place because of its sheer size

which has the Glenmorangie brand, the third best selling malt whisky in the world, said that companies like his had pursued a value-led strategy before United Distillers. But, he said: "Guinness and United Distillers have given the strategy a tremendous potency and force."

In pursuit of this strategy, United Distillers has cut costs by rationalising its distilling and bottling. It has also revised its internal structure and re-organised its distribution and brand portfolio.

*The reorganisation of its dis*tribution over the past two

siderable disruption to United Distillers' sales as well as to many of its smaller competitors. MacDonald Martin, for example, has changed distribution three times in 18 months, first moving from Schieffelin, following the joint venture between Guinness and Moet-Hennessy, which owns Schieffelin.

Other Scotch whisky companies have also been embroiled in this very substantial re-organisation of distributors – with Remy Martin, for example, recently announcing it was *taking on the distribution of* The Famous Grouse in France as well as some other territories.

However, while changes will continue as companies change hands, the industry suggests that the frenetic phase of changes in distribution may be coming to an end and companies will now be able to concentrate on building brands.

Promoting a premium image for Scotch, says the industry, is a critical part of safeguarding its future in a market-place where people appear to be drinking "less but better".

Mr Greener said: "If the industry focuses on promoting and developing its brands there is no possible justification for prices to fall should, for example, there be a recession. The factors that affect consumption of products like Scotch are the way brands are marketed and developed."

Taxation policies, he said, are one of the other key factors in the continuing development of Scotch whisky sales. Japanese tax reforms, curtailing tax advantages enjoyed by domestic Japanese spirits, should give a *fillip to sales of Scotch* in Japan. The Pacific Basin and, most specifically, Japan, is the priority market-place for the development of international brands of spirits.

The continent, where it is becoming increasingly chic to drink Scotch, is also a growing market: France is currently the second largest export market after the US, where volume sales of Scotch continue to fall.

However, Scotch distillers warn that a crucial issue for the industry is tax harmonisation within the European Community. Mr Greener said that the UK Government was being urged by the industry to view tax harmonisation of alcoholic beverages as a potential major opportunity for the Scotch whisky industry.

Mr Greener warned, however, that some of the schemes being proposed could harm Scotch – such as minimum bands of taxation for different categories of drinks. "We in the Scotch whisky industry," said Mr Greener "want an understanding that taxation per degree of alcohol is the only fair way of levying taxation on alcoholic drinks."

"We are stressing to the UK Government that 1992 presents a massive trading opportunity for the UK and, unless issues like tax harmonisation for alcohol are not gripped in a particular way, we may not only not get the opportunities but may be further disadvantaged."

Lisa Wood

PACKAGING

Common rules prove elusive

ONE OF the most difficult tasks facing the European Community as it prepares for the 1992 single market is to devise a common framework of regulations for packaging.

The issue is of crucial importance to multinational drinks companies – indeed, any drinks company – planning to develop brands across Europe's national frontiers. For the framing of the regulations may either create barriers to pan-European trade or encourage it by providing opportunities for standardised packaging and economies of scale.

Since the *EC Commission* asked member states in 1985 to submit plans for the recycling or re-use of drinks containers, little has been done to resolve the issue. The result, says Mr John Thompson, of Canadean's European beverage packaging consultancy, is that differences between states are widening, some becoming much more restrictive than others; and the problem is exacerbated as environmental concerns become entangled with the protection *of national* markets.

Many in the drinks industry felt it had been unfairly singled out in the first place by the EC Commission. Drinks containers are only a part of the environmental problem associated with refuse disposal. In the UK, it is estimated, they account for about 11 per cent of the 20m tonnes of refuse generated annually.

Now, they believe, some states are discriminating against particular types of container for political and economic reasons.

In the UK, France and Belgium in recent years, the use of non-returnable containers – cans and plastic bottles – has been growing. Such one-trip containers are a more effective means of transporting drinks over long distances; and the trend could lead to a standardising of packaging that the multinationals would welcome.

Efficient recycling systems would *ensure that* environmental concerns would be met, it is claimed. Their development still has a long way to go in some countries. Only 5 per cent of the 3bn aluminium cans a year used in the UK, for instance, are at present recycled. In the US, however, the proportion is 58 per cent – and the packaging industry has a vested interest in helping the public sector in such areas of waste management.

But in the name of environmental protection – and with the often active support of some "green" movements, Denmark and West Germany *already effectively* ban *the use* of cans and plastic bottles.

For more than a decade, Denmark has used a series of decrees to put a stop the sale of beer and soft drinks in non-refillable containers, in spite of successive challenges from the European Commission.

Yet milk, which in Denmark is sold in cartons, has been exempted; and the Environment Ministry has said it sees no environmental grounds for changing to returnable glass bottles.

Nor do the restrictions apply to Denmark's export of canned lager – even to its own offshore dependencies of Green*land and the Faroes*.

The EC Commission, in 1980, ruled against Denmark's ban on the sales of imported beer, soft drinks, and mineral waters in non-refillable containers as a violation of free intra-EC trade.

Denmark responded in 1981 with another decree that banned the sale of drinks, both imported and domestic, in non-refillable containers. That appeared non-discriminatory, but, as the Commission noted, "transportation costs of two-way bottles makes them impractical over about 200km – a distance easily exceeded when exporting to Denmark."

After more pressure, a decree in 1984 allowed imported drinks to be sold in their original bottles, but only for test-marketing and on condition that annual sales did not exceed 300,000 litres, and that a bottle return system was set up. The absolute ban on canned drinks remained.

The Commission and the UK Government took Denmark to the European Court which last *year ruled against the import* limit on bottles but left the ban on cans, and restrictive labelling and recycling regulations intact.

In the name of environmental protection – and with the often active support of some "green" movements – Denmark and West Germany effectively ban the use of cans and plastic bottles

West German practice has also brought bitter protests from drinks exporters in the UK, France and Belgium. "In Germany, perhaps more than in any other European country, it is increasingly difficult to draw a line between environmental measures and protectionist measures," says the UK Industry Council for Packaging and the Environment (INCPEN).

Throughout the 1970s and the early 1980s, the German *market for non-refillable* drinks packaging had gradually increased. Imports of canned beer from Denmark were a contributory factor; and large German breweries responded by using cans, too. But smaller breweries retaliated by pushing for restrictions on the use of cans, and encouraged "green" groups to join them.

In 1986 the West German government passed a waste law, setting objectives for the reduction of waste and providing the means, if required, for action such as banning certain forms of packaging or imposing mandatory deposits.

"The objectives of the waste law can be, and are being, met by the manufacture of resource-efficient packaging and recycling systems," says INCPEN. "But the Federal ministry of the environment appears to have interpreted the ruling as an opportunity to return to a refillable bottle system, which would remove the competition from imports, and suit the local brewers."

Regulations have now been introduced limiting the use of plastic and one-trip glass bottles, and cans, to 10 per cent of beer sales, 20 per cent of carbonated drinks sales, 65 per cent of still drinks, and 50 per cent of wines.

This will effectively exclude competition from imported beers and mineral waters, in particular, and will benefit Germany's dense network of small, local brewers and bottlers.

"Measurement of environmental impact involves assessing many variables," says INCPEN. There is nothing more wasteful and unenvironmental, for example, than a returnable bottle that does not get returned.

"It will become more important to distinguish between true environmental acceptability and actions motivated purely by the temptation to use it as a marketing tool.

"Some sectors perpetuate *misconceptions in an attempt* to put down a competing product, and some countries are increasingly misusing genuine environmental concern as an excuse to protect home markets."

It concludes: "A high level of environmental protection must be reconciled with commercial freedom to supply customers with what they want at minimum cost."

Philip Rawstorne

National papers agree code of ethics for journalism

By Raymond Snoddy

BRITAIN'S national newspapers yesterday agreed a code of practice on journalistic ethics designed to head off legislation which could threaten press freedom.

The code will be accompanied by a system of readers' representatives to deal with complaints.

The move comes as newspapers are increasingly censured by the law and the Press Council for sensationalism and inaccuracies which have intruded on people's private lives.

The editors say they will continue to defend the democratic right to have a free press and to campaign for reform of libel and contempt law. But they have also accepted some criticism of the press in Parliament and by the public.

"While supporting the Press Council, each individual national newspaper now accepts the need to improve its own methods of self-regulation, including procedures for dealing promptly and fairly with complaints," the editors say in the declaration.

The most dramatic change is the widespread backing for a system of readers' representatives.

The new system of readers' representatives will take up complaints and breaches of the code which will cover everything from intrusion of privacy to how information is obtained and the need for a fair opportunity to reply.

The authority of the representatives will be set out in formal terms of reference but their main task will be to "safeguard standards of accuracy, fairness and the conduct of journalists."

The representatives will have the power to question journalists and editorial executives. They will also have the right to require prompt publication of statements of correction and to have their findings published.

If a dispute cannot be settled in this way, there will still be a right of appeal to the Press Council which is also reconsidering its structure.

The five main provisions of the Code of Practice are:

- Respect for privacy – intrusion into private lives should always have a public interest justification;
- A fair opportunity for reply will be given when reasonably called for;
- Mistakes will be corrected promptly and with appropriate prominence;
- Information for publication must be obtained by straightforward means unless there is an over-riding public interest and newspapers will not authorise payment to criminals to enable them to profit from crime;
- Irrelevant references to race, colour and religion will be avoided.

The code was agreed yesterday after last week's unprecedented meeting of national newspaper editors.

Mr Robert Maxwell, publisher of Mirror Group Newspapers, thought relatives of criminals should also be included in the ban on profiting from crime.

The Financial Times decided it could not sign the document although it supports fully the aims of the code.

Sir Geoffrey Owen, editor of the FT, felt strongly that it was his personal responsibility as editor to deal with complaints from readers. In an editorial in today's paper, the FT says: "In our case we do not consider it helpful to delegate this part of the editor's job to a readers' representative whose independence may be open to question."

The Government has warned that the press is "on probation" and that if it does not put its own house in order then legislation is likely to follow.

Editorial comment, Page 24

THE MAIN PROVISIONS OF THE CODE

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Thatcher defends her record

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher, the Prime Minister, last night suggested that any challenge to her leadership would strengthen her own position and said she intended to remain premier as long as the Conservative Party and the electorate wanted.

Mrs Thatcher, in what amounted to a spirited defence of her personal record before the close on Thursday of nominations for the party leadership, acknowledged that a contest would harm the party and the country.

She refused to speculate at the outcome or to say whether the contest could go to a second round. Last night, no MP had yet formally lodged a nomination, with Sir Anthony Meyer remaining the only identified, possible candidate.

Mrs Thatcher said that a challenge would create uncertainty at a time when the government was doing badly in the polls but that in itself could not be used as an argument to prevent MPs from exercising their legitimate right to challenge.

Speaking on BBC television she "totally and utterly" disassociated herself from claims circulating at Westminster that MPs registering opposition to her might face deselection in their constituencies. To interfere, she added, would prove counterproductive.

In the clearest hint yet that the present administration may run its full course, Mrs Thatcher said there would be no election "tomorrow, or next year, probably not even the year after that". There was, "a very long time to go."

Attempting to clear up the confusion about her own intentions, following apparently conflicting remarks about her readiness to go on serving as Prime Minister, Mrs Thatcher claimed that, whatever she said on the subject, she was misinterpreted.

It would, she added, be totally false to fight the next election on the basis of stepping down shortly afterwards. She continued: "The real position is quite simply this. I shall stay as long as the electorate and my own party wish me to do; not a moment longer, but I hope to stay as long as that." She said the aim was to win the next election and added: "I would not be averse to breaking another record for the length of prime ministership."

Judicial verdict due on docked ambulance pay

By Fiona Thompson, Labour Staff

A HIGH COURT judge will this morning decide whether London ambulance crews are to have their pay docked for refusing to work normally.

Unions representing the London crews sought an injunction to stop London Ambulance Service management cutting pay after a letter to staff last week from Mr Tom Crosby, London's chief ambulance officer.

Mr Crosby said emergency crews would only receive two weeks' pay for November and non-emergency crews one week's pay because they had not been working normally.

Mr Justice Auld heard the case in chambers and last night indicated he would give his judgment this morning.

The London crews, along with ambulance staff throughout Britain, have been carrying out industrial action over a rejected 6.5 per cent pay offer for 11 weeks. Mr Crosby's letter was prompted by staff stepping up their action to include a ban on all non-emergency work earlier this month.

The Government yesterday launched its £200,000 advertising campaign aimed at convincing ambulance workers to accept its revised 18-month pay offer.

An advertisement in the London Evening Standard signed by Mr Duncan Nichol, NHS chief executive, said that pay for crews in the capital would increase by between 10.9 per cent and 12.1 per cent.

Minister backs role of county councils

By John Hunt

COUNTY COUNCILS will continue to play a prominent role in the town and country planning system in England and Wales for some time to come, Mr Chris Patten, the Environment Secretary, said yesterday.

His remarks, in a speech to the Town and Country Planning Association, led to speculation that he intends to reverse the controversial proposal of his predecessor, Mr Nicholas Ridley, to abandon county structure plans, which provide the strategic overview for district plans.

The proposal, contained in a policy paper in January, provoked an outcry from environmental organisations. They said that it would cause chaos in the planning system.

The Environment Department said last night: "We have not dropped our proposals for structure plans. We are concerned to see that they are kept up to date while we await legislation."

The Government originally intended to introduce a planning bill in the present session of parliament, scrapping county structure plans and placing the main responsibility for planning on the district councils. Instead, the bill was not included in last week's Queen's Speech, which outlines the Government's legislative programme.

Mr Patten yesterday urged county councils to press ahead with the revision and updating of their structure plans.

He issued a guidance note asking for structure plans to be be brought up to date and provide for development for at least 10 years ahead and even as far as the year 2006.

Counties will not have to submit their plans for approval by the Secretary of State – a change that strengthens their role.

They should be trusted to adopt their own plans, he said.

In addition, an applicant who ignores the county plan and appeals against refusal of planning permission may be liable to pay costs. However, Mr Patten emphasised that new country town settlements by private developers would have a role to play.

Dealing with a case of DTI frustration

Raymond Hughes on an drive against insider dealing

STAFF at the Department of Trade and Industry who spearhead the Government's drive against insider dealing may well be feeling aggrieved and frustrated.

Twice in the last four weeks they have seen prosecutions they have mounted against men they suspected of insider dealing collapse on judges' directions.

The juries were told to bring in formal "not guilty" verdicts on the ground that the DTI had failed to prove its case.

In each case the DTI presumably thought it had evidence of offences under the 1985 Company Securities (Insider Dealing) Act justifying prosecution. In each case the judge disagreed.

So what is happening? Is there something wrong, or unclear, in the Act? Are some judges misinterpreting it? Is the DTI mistakenly prosecuting the wrong people? Or is the department simply not preparing its cases adequately?

The Act was brought in to ensure that the Thatcher dream of a share-owning democracy, with millions of new shareholders recruited through the privatisation of British Telecom, British Gas and the like, was not sullied by City of London professionals and others "in the know" getting an advantage over the shareholder in the street.

Accordingly, the Act makes it an offence to deal in shares on the basis of unpublished, price-sensitive information — the sort of information about prospective takeover bids or other events likely to affect the price of a company's shares, to which directors and professionals are more likely to be privy than the average shareholder.

Mr Piers Fitzwilliams, a former director of City and Westminster Financial, who was acquitted at Southampton Crown Court last week, had been described by the prosecution as "the classic insider."

It was not disputed that Mr Fitzwilliams had bought for himself shares in Centreway Industries, an industrial and investment finance group, while negotiating on City and Westminster's behalf the purchase of a stake in Centreway.

At the time, the open market price of Centreway shares was 54p. CWF was offering 90p. Mr Fitzwilliams bought his first tranche at 65p.

The prosecution said Mr Fitzwilliams was "the classic insider, possessed of that special information which he had by reason of his connection with CWF and which, if generally known, would be likely to cause the price to rise."

As a definition of insider dealing that could hardly be bettered.

The special information Mr Fitzwilliams was said to have had was the knowledge that CWF was making an offer for part at least of a controlling block of shares in Centreway.

That knowledge, the prosecution argued, was price-sensitive; it was not known to the world at large; and if it had been, Centreway's share price would have risen.

Mr Fitzwilliams denied wrongdoing, contending that he had not possessed any price-sensitive information. The only information that CWF, and thus Mr Fitzwilliams, had about Centreway was what was already in the public domain: for example, articles in the financial press, the defence argued.

Mr Andrew Greystoke, CWF's chairman, was called as a prosecution witness to produce relevant documents. Under cross-examination he said he would have thought himself entitled to deal in Centreway shares at the time.

The CWF offer, he said, had been no more than "a sighting shot"; it had always been intended that it would be a negotiated transaction; CWF had not intended making a takeover bid for Centreway but was interested only in a 29.9 per cent stake. Thus, said Mr Greystoke, the existence of the offer had not been price-sensitive information.

At the end of the prosecution case, the jury was sent out while the defence submitted that there was no case for Mr Fitzwilliams to answer.

Judge Wroath agreed, plainly finding Mr Greystoke's evidence very persuasive.

He said that Mr Greystoke, who was clearly very expert in this field, had said that the information was not price-sensitive. That, the judge said, presented a contradiction in the prosecution evidence.

The judge also commented on the evidence of Mr Andrew Herd, of Arbuthnot Latham, Centreway's merchant banker.

Mr Herd had said that his personal view was that the existence of the CWF offer was price-sensitive, but, said the judge, he had declined to express a view in his professional capacity.

At best, the judge said, the evidence was not strong and because of contradictory evidence he had had grave doubts whether the case should proceed. Those doubts, he said, had been resolved when it became clear that the prosecution could not prove that Mr Fitzwilliams had the requisite knowledge.

He said it was impossible to infer from his acts that he had known the information was price-sensitive.

The judge called the jury back and, entirely properly on his view of the evidence, directed it to acquit Mr Fitzwilliams.

Even though Mr Fitzwilliams is innocent of insider dealing, his case seems to suggest that there is a need for a definitive ruling on the meaning of "unpublished price-sensitive information."

The DTI does not intend taking the Fitzwilliams case further but the issue, and other matters surrounding the 1985 act, may be resolved by the criminal division of the Court of Appeal in January.

Then Mr John Cross, former managing director of Wordplex, is to challenge his conviction of insider dealing last November, when he was fined £7,000.

Treasury official gives warning on government spending levels

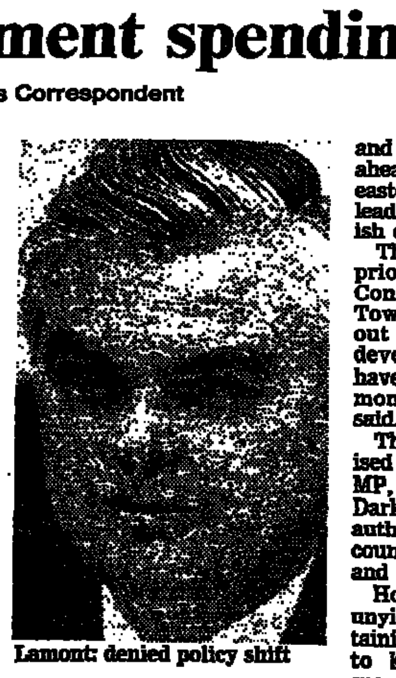
by Peter Norman, Economics Correspondent

MR NORMAN LAMONT, Chief Secretary to the Treasury, yesterday warned that it could become more difficult for the Government to maintain its tight public expenditure regime as the economy slows.

Giving evidence on the Government's latest public expenditure plans, he told the House of Commons Treasury and Civil Service Committee that the Government's overall aim of cutting public spending as a percentage of gross domestic product could be threatened if the economy continued to grow slowly after next year.

However, Mr Lamont denied the Government had changed its policy that public spending should take a declining share of national income, despite the projected increase of general government expenditure less privatisation proceeds in the 1990-91 financial year to 39 per cent of GDP from 38.75 per cent in 1989-90.

He said the planned 1990-91 ratio of 39 per cent and the 38.75 per cent ratio envisaged for 1991-92 were unchanged from the figures published in the 1988 Autumn Statement, the Government's annual economic forecast.



Lamont: denied policy shift

Mr Lamont admitted that it was possible for the ratio of spending to GDP to rise in 1991-92 and 1992-93 if growth turned out to be lower than anticipated. The Government has assumed that real growth in each of those two years will be 2.5 per cent, as outlined at the time of the budget last March. These growth rates are twice the 1.25 per cent increase in GDP which the Government forecast in its latest Autumn Statement for 1990.

Mr Lamont said that the planned £5bn jump in general government expenditure over previous plans in 1990-91 was relatively small in view of the higher-than-expected rate of inflation in Britain.

Despite holding public spending virtually unchanged in real terms from the mid-1980s, the Government was able to spend more on priority programmes such as health and transport, he said. Looking ahead, he hinted that events in eastern Europe could one day lead to a reduction in the British defence budget.

The Government's sense of priorities was criticised by Conservative MP, Mr John Townend. Instead of paying out more for the arts and development aid, it should have agreed to provide more money for war widows, he said.

The Treasury was also criticised by another Conservative MP, Mr Anthony Beaumont-Dark, for refusing to let local authorities spend income from council house sales on schools and roads.

However, Mr Lamont was unyielding on this issue, maintaining that the Treasury had to keep control over such spending to combat inflation.

● A THIRD of Britain's coal mines will be closed in the next three years with the loss of up to 30,000 jobs, Labour predicted yesterday.

Mr Frank Dobson, opposition Energy Secretary, said the Coal Bill, announced last week, would double the maximum grant the Government could give British Coal to cover further redundancy costs. The bill is expected to receive its second hearing in the House of Commons next week.

At the launch of Labour's campaign against the bill, he gave a list of 30 pits which the party believes are likely to close.

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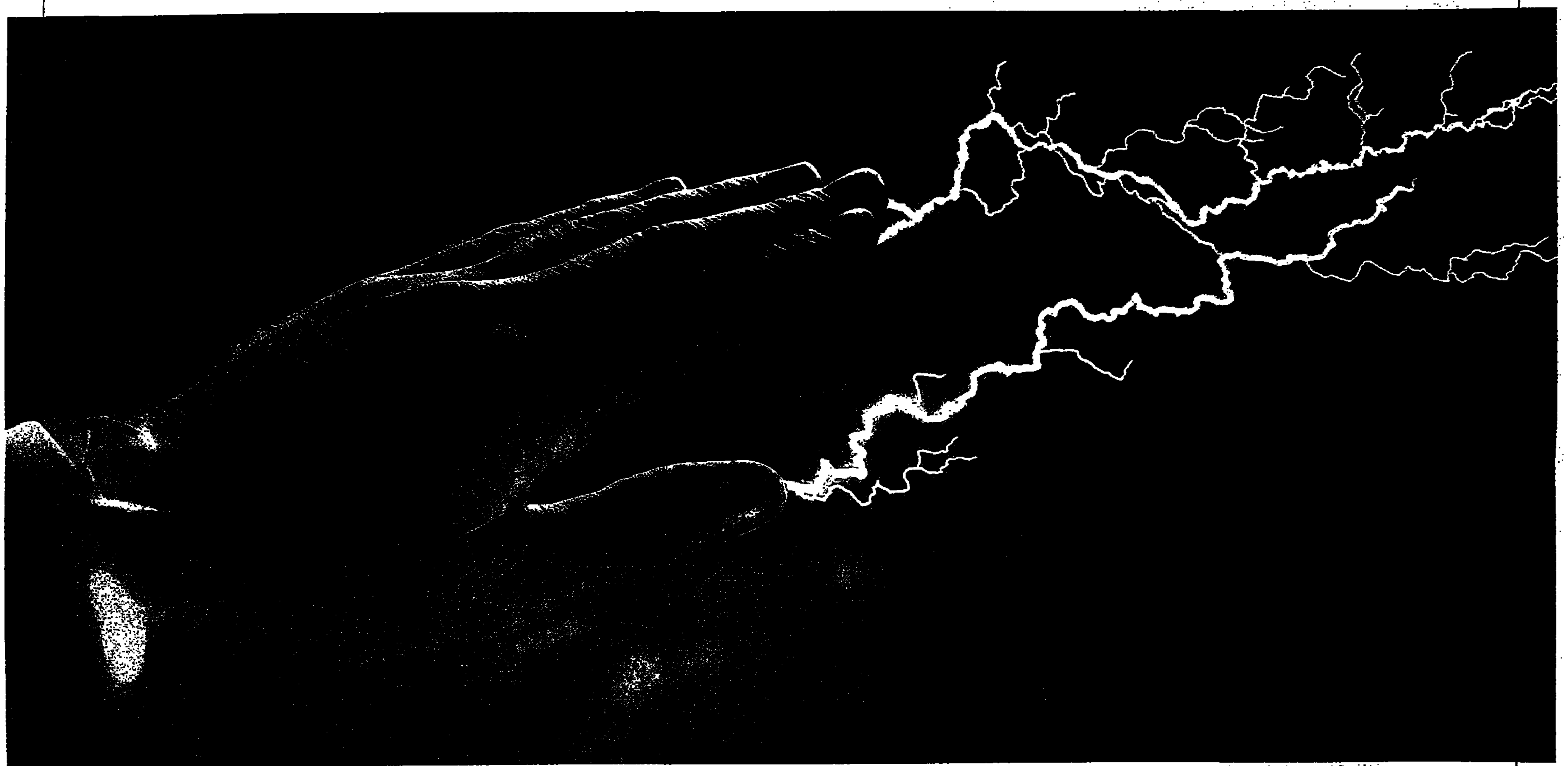

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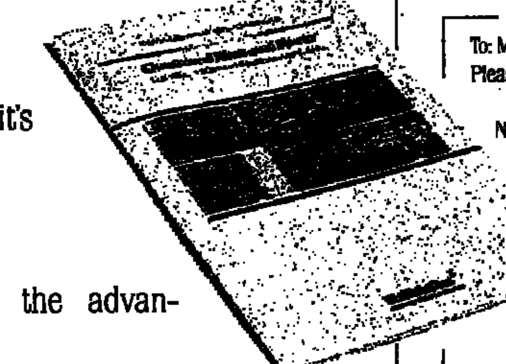

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Row with workers threatens siting of engine plant

Vauxhall sets deadline for Ellesmere accord

By Michael Smith

VAUXHALL, the vehicle manufacturer, has given its Ellesmere Port workforce a deadline of one week to agree a series of far-reaching changes, including the establishment of what union leaders consider to be a no-strike deal.

The company has told its 5,000 employees that, unless agreement can be reached by next Monday, it will not be able to ask General Motors, its parent company, to site a planned European engine plant at the Merseyside Port.

The negotiations are threatening to complicate separate pay negotiations, which have already sparked a series of one-day strikes at Vauxhall's two manufacturing plants in Ellesmere Port and Luton.

Vauxhall has told its 5,000 Ellesmere employees that it wants a three-year pay deal as one of the conditions of bidding for the executive engine plant. In its "final" pay offer, subsequently rejected by workers, it had suggested a two-year agreement.

Mr Tony Woodley, national officer for the TGWU general workers' union, yesterday accused the company of trying to break up national pay bargaining. Ellesmere Port employees presently negotiate a common pay deal with their Luton colleagues.

Mr Woodley said that other elements of the company's proposals were totally unacceptable to the unions and the company appeared to be making it "almost impossible" to conclude a deal.

Vauxhall tabled its detailed demands for working practice and bargaining changes at Ellesmere Port after intervention by the Trades Union Congress settled an inter-union row earlier this month.

The unions believe that the changes they have already agreed, including the introduction of team working, more flexibility and "continuous improvement", could already lead to the loss of more than 1,000 jobs.

High cost to local authorities of competing for services

Councils 'won most contracts'

By Richard Evans

LOCAL authorities have won 81 per cent of contracts let since the introduction of compulsory competitive tendering in July 1988 in a range of council services, but the costs of winning have been high, according to the latest research published yesterday.

An analysis of 445 contracts – more than 90 per cent of those awarded across Britain over the last 15 months – shows that about 11,400 jobs have been axed by councils seeking to cut costs and win contracts for services which were traditionally performed by their employees.

The research, by Services to Community Action and local authority trade unions for Manchester City Council, shows that the success of councils' direct labour organisations ranges from 98 per cent of contracts for school meals and welfare cleaning down to 70 per cent for the cleaning of buildings.

But Government claims that compulsory tendering has led to savings of £94m are described as bogus, partly because of an estimated additional £45m councils have been forced to spend to take part in the tendering process, and partly because of the job losses and reduced earnings that the new system has involved.

Mr Graham Stringer, leader of Manchester City Council, launching the research at a press conference, said some local authorities were working well with the new system by adopting successful working arrangements with trade unions and building up a spirit of municipal enterprise.

But the research also showed there was a significant price to pay. "Scarce resources, time and effort are being directed away from crucial services ... and the private sector is picking and choosing the types of contracts it wants."

Mr John Evans, general secretary of the general and municipal workers', said that the local government services were all labour intensive, so the easiest way to obtain savings was to cut out or curtail benefits like pensions, holidays and sick pay entitlement. Up to 30 to 40 per cent of the employment package could be cut in this way.

Sainsbury to accept new Visa debit card

By David Barchard

THE DEBIT CARD war between the big clearing banks took a unexpected turn yesterday with the news that J. Sainsbury, the leading UK food retailer, is to accept Visa debit cards issued by Lloyds and Barclays banks.

Sainsbury's move follows a recent decision by Visa International to separate its credit and electronic-debit card brands in the UK. Food and utility retailers who do not wish to take the Classic Visa credit card will be allowed to take a new electronic debit card called Electron.

Sainsbury, which has consistently held out against credit cards because the commissions charged to retailers are much higher than for debit cards. It will now be able to accept debit card payments from customers of all the big commercial banks while continuing to reject credit cards. National Westminster, Midland and Royal Bank of Scotland already offer Switch, an electronic-only debit card launched last year.

But the change appears to conflict with claims last spring by Visa International in evidence to a Monopolies and Mergers Commission inquiry that there was no simple way of altering the "honour all cards" rule which obliges retailers to accept all credit as well as debit cards belonging to a particular system.

A spokesman for Barclays yesterday denied that Visa had changed its rules. "What has happened is that a different brand, which already exists in Spain, has now been launched in the UK as well," he said.

By launching the Electron card, Barclays and Lloyds are hope to head off a challenge from Switch, which has proved an instant success. All the main UK banks, including Barclays and Lloyds, have applied to join it, and several building societies have recently shifted their debit card development plans from Visa to Switch.

In Brief

Disney-style park plan in Rainham

Plans for a Disney-style theme park at Rainham, Essex, by the US entertainments group MCA are expected to be announced tomorrow, writes David Churchill. Mr Tony Young, president of MCA Enterprises International, is expected to announce that a planning application will be made for the theme park, based on the company's Universal Studios theme park in Los Angeles. The park would create 20,000 jobs in construction and operation.

MCA had been expected to shoose to build the studios outside Paris near the Euro Disneyland theme park due to open in 1992.

Euro Disneyland is set to become Europe's largest leisure attraction and it has already announced plans for a theme park based on film studios to be opened in 1995.

School repair bill

Repairs worth £3bn are needed to bring schools in England up to acceptable standards, the Labour Party's education spokesman Mr Jack Straw claimed. He said the party would cancel the building of City Technology Colleges, the controversial new business-sponsored schools, which would divert about £100m towards the rest of the schools programme.

Textile export boost

Statistics from the National Wool Textile Export Corporation show that the value of the industry's exports rose 12 per cent to £516m in the first three-quarters of this year, largely helped by its success in selling luxury woollen cloths to Japan.

Fewer teachers

Teacher numbers in secondary schools will fall by about 10 per cent to 205,000 by 1997 on present trends, according to a report by the Institute of Manpower Studies at Sussex University. It confirms fears that there will be increasing problems in maintaining teacher supply, particularly in the secondary sector.

Prestwick flights monopoly 'should end'

By James Buxton, Scottish Correspondent

THE SCOTTISH economy would benefit if the Government ended the monopoly enjoyed by Prestwick Airport over transatlantic flights to Scotland, Sir Norman Payne, chairman of BAA, formerly British Airports Authority, said yesterday.

He said new transatlantic air services would start from Glasgow and there would be more connecting domestic and European services.

He denied that BAA intended closing Prestwick, 35 miles south-west of Glasgow, which is underused. Consultations for a government policy review of Scotland's lowlands airports end this week.

Sir Norman said that if the Government ended the policy under which Prestwick is the only Scottish airport permitted to handle scheduled transatlantic flights, two to three extra transatlantic services would operate daily from Glasgow, in addition to the two to three daily services which would be transferred to Glasgow from Prestwick.

In his strongest statement on Scottish airports policy, he told Glasgow Chamber of Commerce that years of marketing had failed to attract new services to Prestwick; 80 per cent of Scottish business travellers prefer to use London, Manchester or Amsterdam.

He said four British and three US airlines had told BAA they wanted to operate transatlantic services from Glasgow and charter carriers wished to fly from Edinburgh. Connecting domestic and European services, none of which use Prestwick, would be strengthened. BAA was investing £50m at Glasgow. An open skies policy would bring forward by about three years a £60m investment programme planned for the latter part of the 1990s. A further £10m-20m would have to be spent to cope with long-haul services. He said traffic using Glasgow would rise by 5 per cent.

Glasgow's terminal would have to be expanded, but there was plenty of spare runway capacity, Sir Norman said. BAA was "amazed" at suggestions that safety at Glasgow was "inadequate or unsatisfactory" and suggestions that it presented a security risk were "beneath contempt."

Gloomy road ahead for travel trade

High rates are taking their toll on holidays, reports David Churchill

BRITISH Island Airways, one of the publicly quoted charter airlines specialising in ferrying holidaymakers to Mediterranean resorts and other European destinations, yesterday asked for its shares to be suspended pending "clarification of the company's financial position."

The move reflects the sharp drop in bookings for this winter's and next summer's package tour holidays, blamed on the recent rise in interest rates.

The level of demand for winter holidays is running at about a third lower than this time last year, while demand for next summer's package tours is at least 50 per cent lower.

Confidential travel trade figures, moreover, show just how hard the slump has hit tour operators. Bookings for market leader Thomson Holidays, according to the trade figures for October, were down by 57 per cent.

Those for the International Leisure Group of holiday companies – led by Intasun – were reported to be down in October by 48 per cent in volume.

While both companies are understood to be faring better since those figures were circulated, it explains their tough stance in recent weeks towards cutting back on planned holiday capacity for next year.

Thomson reduced its holiday programme by 500,000 holidays earlier this month, bringing its total cuts to almost a million fewer holidays on sale next summer than this year. Intasun also cut another 200,000 holidays from next summer's programme, in addition to the *300,000 already announced.*

This uncharacteristic prudence exercised by tour operators – it is the first time they ever have voluntarily reduced planned capacity – was measured by recent figures from the Civil Aviation Authority which licences the tour operators' charter flights.

Total planned capacity was down by almost 3m passengers from 14.24m to 11.50m. (The licence for International Leisure Group, however, was only for six months rather than the full year as it changed its financial year.)

Mr Michael East, an independent travel consultant with Eastcastle management consultants, points out that the tour operators' move has put extra pressure on charter airlines. "With the substantial investment involved in charter aircraft, the carriers simply cannot afford to have their planes stand idle next summer," he says.

Charter airlines have reacted to the slump by seeking to lease aircraft, especially in North America.

Mr Paul Brett, chief executive of the Thomson Travel Group, which includes Britannia Airways as well as Thomson Holidays, said: "We are leasing out surplus aircraft as well as disposing of two older Boeing 737 aircraft."

Another leading charter airline, Dan-Air, is also understood to be reducing its fleet to meet changed market conditions. Davies & Newman, the company which owns Dan-Air, warned in June that the downturn in the holiday market would hit profits.

Some charter operators fell foul of the downturn in bookings earlier this summer. Paramount Airways, for example, was close to being grounded at one stage and was only kept flying by the appointment of accountants Spicer & Oppenheimer as administrators to try to sort out the airline's technical insolvency.

Charter airlines are not alone in feeling the effects of the slump in bookings. Trade estimates suggest that at least 1,000 of the UK's 7,000 travel agents are likely to go out of business in the coming year. While these will be mainly the small independent travel agents which are poorly run and have little chance of surviving a recession, there is also continued speculation that one of the leading travel agency chains will be forced to cut back or merge.

Last week Hogg Robinson's pre-tax profits for the six months to 30 September fell to £9.5m from £6.6m in the corresponding period last year mainly because of the slump in the travel trade.

The major casualty among travel agents so far has been the decision by the Automobile Association to pull out of the mass-market package holiday business.

But the troubles of the travel trade seem far from over. The fall in the value of sterling in relation to other currencies has forced at least 20 winter tour operators to seek permission from their trade association to impose surcharges.

Under an agreement reached with the Government last year, tour companies have to absorb the first 2 per cent of any surcharge themselves.

But the pressure on winter operators' costs has forced them to impose a further increase. With consumer confidence about buying package holidays so fragile, the return of surcharges can only dampen demand further.

The suspension in London yesterday of British Island Airway's shares may only be the first of many such moves in the travel trade.

British Island Airways shares suspended, Page 27

MANAGEMENT: The Growing Business

Anglo-French label partners go for Portuguese and Belgian markets

Charles Batchelor takes a further look at Labelking's export efforts

Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the 17 year-old company, plans to establish a joint venture on the Continent with a French label printer and also hopes to open a factory in the south-eastern US. King found a French partner earlier this year after writing to 500 companies. He has had three meetings* with an export development adviser from the London Chamber of Commerce to discuss the problems involved and to gather market information. These meetings have given King a good start but Labelking, which employs 42 people and expects turnover this year of £5m, is now on its own.

After the lull of the French summer vacations, King was beginning to wonder if his plans for a joint venture in France would ever get off the ground, but over the past two months events have begun to speed up. King and his French partners have met at a label industry conference in Greece and King's two production managers from his factories in Herne Hill, London, and Boston, Lincolnshire, have visited the French company's factory.

The Société d'Etiquetage d'Impression et de Conditionnement (SEIC) employs 45 people and like Labelking has turnover of about £5m but it has just the one modern print works on an industrial estate in the south of Paris.

Although King realised that the two companies were similar in size, markets, and in the machinery they used, he decided "that the fact that we were so alike meant that we could exchange ideas in a positive way." After the early months, when it was King's enthusiasm which drove the project, the two partners who run SEIC, Gilbert Boveroux and Daniel Riss, have started to respond with a wealth of new ideas.

King's original plan had been for the two companies to find a label printer in Spain to co-operate on a low-cost manufacturing project. However, the Spanish label printing industry turned out to be more sophisticated than King had at first thought. And since SEIC has a Portuguese-speaking member of staff and the company has contacts in Portugal, the British and French companies have decided to concentrate on that country.

It also appears that there is a chance of Portugal being able to offer some form of government assistance in getting started.

Labelking and SEIC have written a joint letter to more than 100 Portuguese printers asking if they want to take part in a joint project to manufacture and sell labels in Europe and if they want to exchange ideas on production technology. If they do, Labelking and SEIC will provide financial help.

About a dozen companies have responded to this letter and King and his French partners plan to visit them later this week. Most of the companies are very small, employing five or six people, and are likely to be at a stage where they would welcome help to expand.

Labelking and SEIC are prepared to take an equity stake in the Portuguese company but they would expect their local partner to have a controlling interest and to manage the operation.

Chris King: a positive exchange of ideas

Apart from the Portuguese project a second proposal came from SEIC one evening over a drink during the Labelking team's recent visit. The French company had been working on plans to link up with a Belgian distribution company to produce labels in Belgium for sale throughout Europe. These would be high-volume low-cost labels (King prefers not to reveal precisely what sort of label is involved) which would complement the French and British companies' existing more up-market range.

SEIC has invited Labelking to join this venture in order to spread the financial cost over the three companies. The plan is to buy a label-printing machine which would be operated in leased premises by a workforce of four or five people. If the Portuguese project comes to fruition the Belgian printing operation could also offer its products to the Portuguese partner.

The Belgian company would sell at cost to the three shareholders rather than attempting to make profits in its own right. This formula is intended to avoid possible disputes over who is contributing how much to the operation, explains King.

King is pleased that his European plans are beginning to produce results. He is so involved in these discussions that a parallel plan to break into the US market, which he considered earlier in the year, has been put on ice. King was at that time keen to begin printing labels in the south-eastern US.

Chris King has spent most of his time with SEIC discussing details of the joint export projects but the visit which his production managers made to Paris has thrown up some ideas which King is now incorporating into the way he runs his factory.

For instance, SEIC gives its sales and despatch staff far greater responsibility in deciding the production plan for its factory. This allows the company to be more responsive to its customers' needs.

SEIC's sales office produces the job cards – recording the details of the order and the delivery promise – which determine the order in which the factory will carry out the work. For the very large and complex jobs the sales staff will consult the production manager though his role is less important than before.

Labelking has decided to adopt this system at its two factories and has also taken up SEIC's idea of holding daily meetings involving production, sales and administration staff to plan the day's workload, explains Nick Stocker, the Herne Hill production manager.

The visit to Paris also coincided with Labelking upgrading its computerised production control systems and the software has been modified to enable it to make more accurate costings and to take into account the greater responsibility which is being given to the sales staff.

King describes label printing as "a friendly industry" but even so casual social contacts do not allow him to look in detail at how his competitors work. By contrast, co-operating closely with a company like SEIC, which is a partner rather than a competitor, permits a very useful exchange of ideas, comments King.

The French will have the chance to look at Labelking's systems when their production manager visits the British company in a few weeks' time. There are also plans for an exchange of sales staff later in the year. "Our ideas are much more concrete than they were a few months ago," says King.

** Previous articles in this series appeared on May 2, May 23 and September 5. Future articles will continue to follow Labelking's progress.*

In brief...

■ British companies made 181 acquisitions in continental Europe in the first half of 1989 though research has shown that up to half of the companies which buy abroad subsequently wish they had been better prepared.

Advice on the pitfalls of making acquisitions in continental Europe will be given at a two-day conference, Acquiring in Europe, to be held in London on February 22 and 23.

Contact: Acquisitions Monthly Conferences, 11 Gloucester Road, London SW7 4PP. Tel 01-823 8740. Fee £585.25.

■ The first issue of EuroCommerce – a new magazine aimed simultaneously at business readers in Kent, England, and Nord, and Pas de Calais, France, has been published. The idea is to carry news from both regions and, according to the editor and co-founder Pamela Le Gassick, to focus on "matters which escape the attention of most business people until they come up against them, eg the differences between accountants, lawyers and bank operations on both sides of the Channel."

The text will be in French when the item is about England, and in English when the article is about France.

Milgate Publishing, Premier House, 10 Greycoat Place, London SW1P 1SB. Tel: 01-222 8866.

■ Four out of 10 medium-sized US companies believe that the creation of a single European market will have a positive impact on their business while two out of 10 expect a negative influence, according to a survey carried out by accountants Grant Thornton.

Three quarters of the companies surveyed said they were monitoring developments but two out of five had not considered their response. One third had considered opening a new operation in the EC while nearly one quarter said they might expand their activities.

■ Europartenariat, a two-day trade fair intended to create links between small and medium sized businesses in Europe, will be held in Cardiff on June 14 and 15 1990. When the EC-backed event was held in Spain it attracted 220 local companies and 550 visiting companies with each Spanish firm meeting, on average, eight visitors.

Contact Welsh Development Agency. Tel 0443 841777.

Avoiding the pitfalls of growth

Some seemingly successful small firms expand so rapidly that they run into administrative and financial difficulties which can reduce real profitability. Disorderly and unplanned growth can lead to the collapse of a previously successful business, Roger Bennett warns in Small Business Survival.* Rapid growth can upset a company's administration because more orders have to be processed and increased staff numbers lead to additional clerical work.

More money has to be spent immediately on raw materials, wages, stationery and electricity to run machinery but the return on this investment will not show up for some time after the goods have been sold.

Growth normally means a company grants more credit to its existing and new customers while bad debts are also likely to increase.

Investment in new buildings or machinery which, in the early stages, are not fully used will mean a drop in the average return on every square foot of space and on every unit of machine capacity.

If a manufacturer turns to a wholesaler to handle the increased volume of goods, he is likely to be expected to offer discounts on price. Finally, if competitors notice a company's rapid expansion they are more likely to expand their own operations. Competition will increase just at the time when the company is vulnerable because it has paid out large sums to fund its expansion.

The mistake many firms make is to confuse the absolute amount of cash coming into the business with the profit produced by each unit of resource used in the company, says Bennett. Divide profits by the amount of money invested and average profitability may have declined.

To avoid matters getting out of hand the author urges managers to keep a close watch on key financial ratios. The business should monitor its rate of return on capital employed by comparing profits with the value of fixed and current assets over, say, a three month period.

Of crucial importance is the ratio of current assets to current liabilities – the current or working capital ratio. This shows, in theory, how easily the firm could settle its debts if creditors called for immediate payment.

Other useful ratios to watch are: profits to sales; administrative expenses – selling, secretaries, documentation – to sales; and credit sales to total sales.

The efficiency of machinery can be checked by measuring the proportion of the working day that each machine is fully used and the ratio of actual output to the maximum possible output.

Expand conservatively, Bennett urges, and link management objectives to unit profitability, not to sales. Use existing resources to the full before making additional investments and use sub-contractors and joint-venture partners to reduce the cost of expansion. With interest rates at punitive levels this is timely advice.

**NatWest Small Business Bookshelf. Pitman. 260 pages, £5.95.*

Charles Batchelor

An enterprising escape route

Lancashire Enterprises, the organisation which is responsible for promoting economic development and small firms in Lancashire, is privatising a large part of its operations in order to escape proposed government controls on local authority-owned activities.

As part of its privatisation move Lancashire Enterprises is offering just over 25 per cent of its shares to the general public. One million 10p shares are for sale at a price of 116p a share. Lancashire Enterprises is projecting a pre-tax profit of £600,000 this year rising to £1m in 1992.

It has already placed 40 per cent of its shares with a number of local companies, institutions and wealthy individuals, while its management has acquired a 15 per cent stake. Crucially, Lancashire County Council, represented by a newly-formed company called Lancashire County Enterprises, has reduced its holding to 19.9 per cent, a figure which should allow Lancashire Enterprises to avoid the proposed government controls.

Lancashire Enterprises believes its privatisation plan – including the public share offer – may form a model for other local authorities around the country which are also looking at ways enabling them to keep a stake in promoting their local economies and helping small business without falling foul of the new legislation.

These changes are being forced on local authorities by the Local Government and Housing Bill. The Government wants to prevent local authorities side-stepping its spending limits by setting up nominally separate companies to carry out parts of their activities.

The Government plans to impose controls on companies it considers are "controlled" or "influenced" by the local authority. Control involves an authority having a voting majority in the company while influence involves an authority having 20 per cent or more of the votes and contributing more than half the company's turnover or assets.

Initially Lancashire Enterprises might qualify as an influenced company because Lancashire County Enterprises and Lancashire County Council will place contracts with it amounting to more than half its turnover but Lancashire Enterprises believes the growth in non-local authority business will enable it to escape the government's net.

Lancashire Enterprises will manage Lancashire County Enterprises' portfolio of investments in 40 mainly unquoted companies and will continue to provide finance and advice to small firms in the region and provide training and consultancy help. It plans to set up a new fund to invest in local companies and may set up an office in Brussels to help these companies extend their activities throughout the European Community.

** The public share offer remains open until 3pm on Friday December 1. Copies of the prospectus are available from Enterprise House, 17 Ribblesdale Place, Preston. Tel 0772 735821.*

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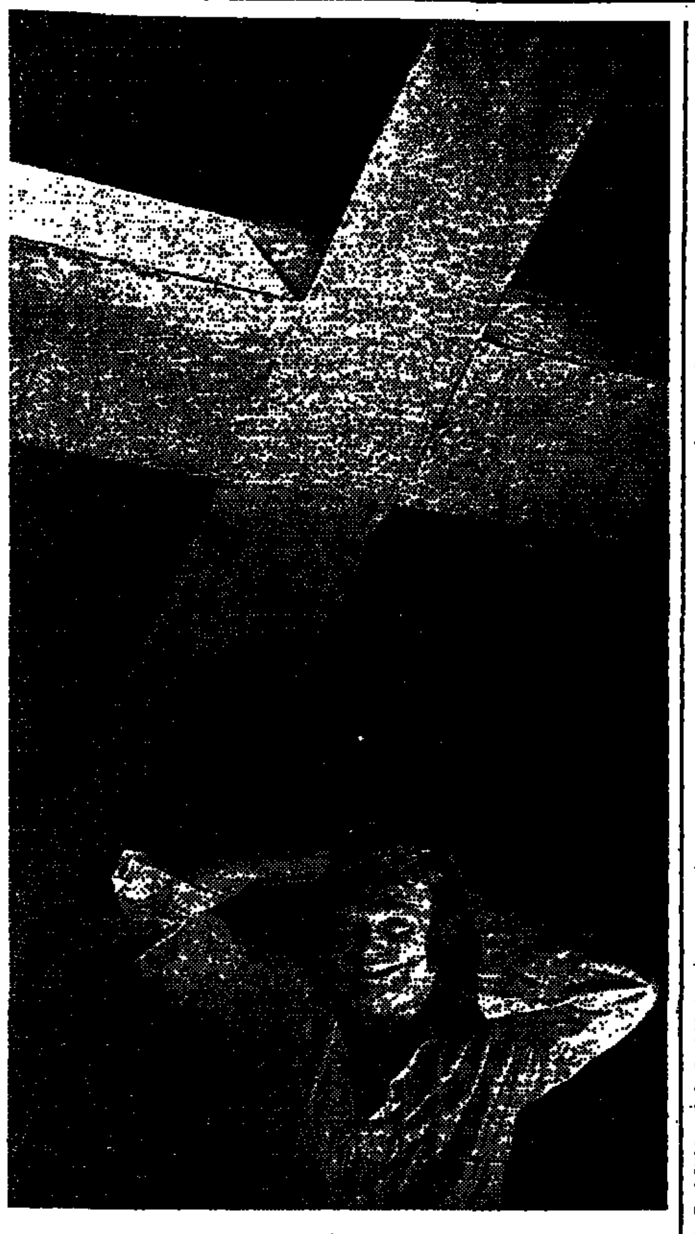
THE BUSINESS PAGES ALSO APPEARS ON PAGE 38



Gerard Murphy

Alastair Muir

Good dose of cynicism needed

William Packer reviews two sculpture exhibitions in London

Of all the forms that modernism has taken in our century, Dada, and Surrealism which sprang from it, have proved the most profound in their general effect upon our common sensibility and experience.

Dada indeed has a lot to answer for, in its gleeful iconoclasm and free-range bizarrity, for at its heart lies the dangerous heresy: that the form is less important than the content, and formal quality of no real account. The idea is all. And from this it follows, in what is in essence a literary and illustrative art, that bad artists may prosper, and have prospered prodigiously, on the strength of their ideas. Wishes become horses and beggars ride.

One might have hoped that Marcel Duchamp had made the cynical point firmly enough, with his Urinal all those years ago, to make any further demonstration otiose. But no: in the fulness of time, Dada begat Surrealism, which begat Conceptualism, which is surrealism stripped of its saving principle of fun and delight in the unexpected. Not that Conceptualism of itself is necessarily inimical to the creation of true art, but too often instead of wit there comes puritanical seriousness and clever insistance upon the obvious.

Michael Craig-Martin – a man, in Bertie's useful phrase, steeped to the gills in serious purpose – delights in the obvious. He is now, at 49, in mid-career and already a considerable figure in the British art establishment, lately appointed to the significant position of artist-trustee of the Tate, of whom there are always several. A retrospective exhibition of his work these past 20 years now fills the Whitechapel Gallery (Whitechapel High Street E1: until January 7 – sponsored by Montblanc), set out with admirable clarity and taste.

He is a punctilious craftsman, fastidious in his choice of materials and the finish and presentation of his work. And, just as with an artist conspicuously active and energetic, as though such qualities of themselves confer a virtue upon the work, so his conspicuous refinement soon seems but a kind of intrusion and special pleading. It was ever the hope of the aesthete to make his sensibility the work of art, and Conceptualism is easily turned to such ends.

With Craig-Martin, manifest aesthete that he is, the doubt remains whether he is an artist at all: for in what, quite, does his art consist, other than in his saying that it is what he says it is? He shows us clearly that what goes up must come down. He tilts the shelf of bottles but lets the water that remains in them still express the horizontal. He matches the weight of the board, on which is painted the image of the weight, to the weight itself and the balance sits true. He fills the bucket and it grows heavier. The sun will come up in the morning, no doubt, and the apple still falls from the tree. Fancy that.

His boxes hinged so that their lids cannot close remain just that – uncloseable boxes. The metaphysical exercise of translating a glass of water into an oak tree remains an exercise in metaphysics. Gertrude Stein's rose remains the more truly intriguing proposition. The more interesting exercise would be to consider at what point the apparatus of school laboratory or science museum might become a work of art. Might it not be when the physical form reasserts its essential integrity with the informing idea, and even admits the possibility of some imaginative freedom and ambiguity of response? The object must be something more than mere diagramatic device. With Craig-Martin's work that imaginative escape is never made.

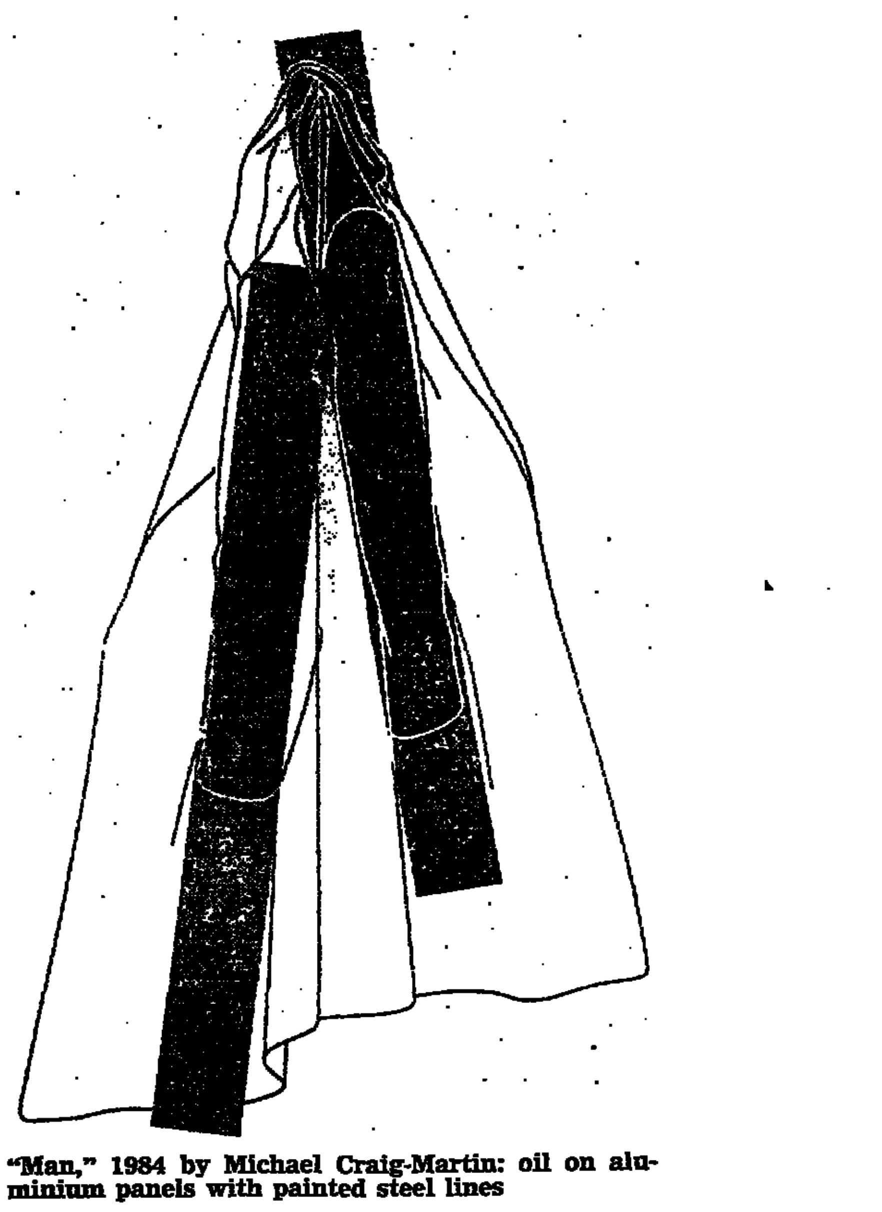
The banality of the later work confirms the suspicion, for though it moves away from the specific physical demonstration, there is no commensurate intuitive involvement on the artist's part. All is predetermined, and what he cannot prescribe, he does not attempt. The huge wall drawings are impressive only by virtue of their size, for Craig-Martin is clearly no draughtsman, and the rectilinear arrangements of venetian blinds are blander still.

There is no doubting Craig-Martin's seriousness and sincerity. He believes that what he does is truly creative and he indeed a true artist, and there are plenty of critics, curators and collectors who take him at his own estimation. The irony is that a dose of healthy, Duchampian cynicism might well have worked his transformation into that true artist long ago.

★

If Craig-Martin has been fortunate in the timing of his career, another current sculpture show illustrates the cruel and arbitrary vagaries of critical fashion. David Annesley, now at Anderson O'Day (255 Portobello Road: until December 22) was one of the New Generation of British Sculptors that Bryan Robertson celebrated at the Whitechapel in 1965. With Philip King, Tim Scott and William Tucker, he had been a product of the St Martin's Sculpture School of the early 1960s under Anthony Caro, and was as much a young lion in his time as any of the present brood.

But for him the shows dried up, and he fell back upon teaching for 20 years. He kept at his own work, however, and this small group of recent pieces shows just how indifferent an artist, true to himself, can afford to be to critical fashion. It is only shaming, and wasteful too, that work of such quality should have been ignored for so long. He works with mild steel elements and metal fragments, improvising structures in a manner very close to Caro, but with a lightness of touch and formal esprit all his own. Some have the elements differentiated by colour, but the formal command is such as to make the ploy, cheerful as it is, quite unnecessary. The monochromatic pieces are all impressive and the white "Ghost Dance," light and lively for all its weight, as good a sculpture as any I have seen all year.



"Man," 1984 by Michael Craig-Martin: oil on aluminium panels with painted steel lines

Doctor Faustus

THE PIT

Doctor Faustus at The Pit is very much like Marlowe's play of that title. The sequence of events, and most of the lines, are as they are in the usual amalgam of the early and the late editions. Some of the more ridiculous scenes have been left out, and some speeches given to unaccustomed speakers. But Barry Kyle's direction imposes such limits on the participants that it is hard to summon up the needful horrors and sympathies.

Only Gerard Murphy's blond young German Faustus and David Bradley's old monk of a Mephostophilis are played as if real. The other 30-odd characters, drawn from the chorus, play as if for the dance. I don't mean to denigrate their work; it is clear that we are not meant to believe that we see actual people, any more than in *Swan Lake*.

So Faustus sits in his chair – his Chair, perhaps – while two ranks of students lie on the stage. In turn they offer him his various books, Aristotle, Galen, Justinian and so on, pushing them over the floor rather than handing them up. Wagner summons Valdes and Cornelius, before they arrive, the Good and Evil Angels enter; all but Wagner are, in looks and in manner, fellow-students.

But they have varied personae ahead of them. Stripped to the waist, they join in a huddle from which they recite their respective deadly sins, hardly "as pleasant a sight as Paradise was to Adam." The three-man performance that I saw by the ATC two years ago was ten times as exciting.

Two agile students become very unterrifying Balliol and Belcher, one in drag with built-in fireworks Faustus's rejected wife. These subsidiary characters, whether Pope, horse-courser, vintner or Alexander the Great, are shown in one dimension.

Even Lucifer himself, handsome in his white kit, is kept short of magic. Only Faustus and Mephostophilis show any individuality.

Mephostophilis is given occasional comic moments. When he pulled a quill from his sleeve for Faustus to sign his document with, there was some unexpected laughter from the house.

But lines like "this is hell, nor am I out of it" are spoken neither satirically nor threateningly, just poetically. Why he should be given the final lines, "Cut is the branch" and so on, that belong strictly to the chorus, is hard to see.

Comedy is not well served. True, the "set of farces", as Pope said, that separate the minatory opening and the superbly beautiful ending (well spoken by Mr Murphy) are not very funny; but I didn't think, to take one example, that balancing a chop on the Pope's head was very laughable.

All the players are men, including Helen of Greece and Alexander's paramour. They move elegantly and speak their lines like players in the Royal Shakespeare Company. No evening that ends as this does can be written off; but it seemed a long time between "Settle thy studies, Faustus" and "See, see, where Christ's blood streams in the firmament."

B.A. Young

Nikolai Demidenko

WIGMORE HALL

When one of his hands is momentarily unoccupied, he is liable to make broad conducting gestures with it, but otherwise Demidenko is not a visibly showy pianist. He doesn't need to be: the forceful precision of his playing makes its own extraordinary effect. What "precision" amounts to depends, of course, on what an artist cares to be precise about. With Demidenko it means not just uncanny clarity at high speeds, but perfect control (finger by finger) over the finest gradations of tone and attack; and, what's more, utterly definite intentions about musical sense and structure.

He is ascetically sparing with the pedal, the better to demonstrate what can be done by touch alone. The result would sometimes sound brittle, were its tensile strength not so high. In this programme, at least, Demidenko's palette seemed intensive but specialised – brilliantly varied digital colours, disdainful of the further sonorities that creative pedalling can offer. Certainly Schubert's late C minor Sonata, D.958, had less warmth than usual, more truculent Beethovenian clatter. Simple triplet-accompaniments acquired a baleful life of their own.

Liszt's "Don Juan" Fantasy was every bit the fiery *tour de force* we expected, but for all the hyper-fortissimo blaze it was cold fire, without mischief, irony or any trace of melting. At that latter end of the evening, it was only his trio of late-Skryabin encores (including "Vers la flamme," and the little *étude* the composer used to call "The Mosquito") that betrayed such personal touches.

Earlier, though, Demidenko's account of the four Chopin Scherzos had been awesome, and virtually exhaustive. The considerable hazards of the piano-writing were turned into crystalline sound, with a finesse in chord-placing worthy of Bolet himself. Every dramatic point was cleanly registered, even in the sullen mutters of the First Scherzo, where his virtuoso articulation carried all the right fitful electricity and bated-breath air. Each whole piece was stamped with its own distinctive character; if the slow "trios" were somewhat dourly etched, they carried a burden of transparent meaning. One wasn't charmed, but one was mightily impressed.

David Murray

Mikhail Pletnev

WIGMORE HALL

Pletnev's reputation continues to grow; his Wigmore Hall recital on Sunday afternoon was packed, and the audience noisily appreciative. His programme was an extrovert one – Musorgsky's *Pictures at an Exhibition* and a suite of the pianist's own transcriptions of numbers from Tchaikovsky's ballet *Sleeping Beauty*. Much of the technique was dazzling, the control and range of dynamics prodigious. There is no doubt of Pletnev's abounding natural ability, nor of his instinctive sense of poetry, but neither of those qualities were displayed with anything like enough consistency, and too often his playing dipped into empty aggrandisement.

Pictures contained some extraordinary things, most of them unsettling at the very least – passages were invented or omitted, tempi pushed out to the extremes, the majestic hanging chords of the final bars "improved" with a keyboard-spanning upward scale. If it was intended as inspirational dare-devilry it did not succeed, much though one admired both the nerve of the pianist, and his absolute confidence in his own technical capacity. What seemed like strange, exploratory twists in the early movements – an exaggeration of the switches between 5/4 and 6/4 in the opening "Promenade," nervy explosions in "Gnomus," "Il vecchio castello" drawn out to inordinate length – became by the end symptoms of an underlying lack of focus, an interpretation yet to gel.

Pletnev has already performed in London his piano version of *The Nutcracker*; the reason for his enthusiasm to bring Chaikovsky's ballets into the recital hall is not clear. In general the transcription seemed an expert, thoroughly pianistic job, and only a couple of numbers recalled the rehearsal rooms, with ballerinas put through their paces to a hack accompaniment on an upright piano. It was though, a strangely unsympathetic recreation, without obvious affection for the melodic invention, or for the charm of much of the writing. It ended, predictably, in a torrent of immaculately delivered passagework, by which time one had tired of the fatuousness of the whole enterprise.

Andrew Clements

John Adams

ELIZABETH HALL

In Friday's London Sinfonietta concert, the second of two conducted by the American composer John Adams, the best music came at the end. Perhaps it would be inaccurate to exchange the word "best" for "only," even though the experience certainly left one feeling that way.

Mr Adams's teacher, Leon Kirchner, is an East Coast composer of senior years not often heard in this country but known to admirers via records. His 1960 Concerto for violin, cello, percussion, and ten woodwind is a composition of immense individuality and distinction, with a "voice" that speaks out from first note to last. The predominant tone is a sort of cultivated asperity, part-Stravinskyan neo-Classical and part-Berg Chamber Concerto – but the antecedents are only named to "place" the concerto, not to circumscribe its buoyant, bracing mixture of toughness, wit, and adult intelligence.

For the rest, we had various samples of Adams's own product – two extremely ordinary orchestrations of Liszt piano pieces, and then two British first performances: the Whitman song-setting "The Wound-Dresser" for baritone (Sanford Sylvan) and chamber orchestra, and, in the second half, *Eros Piano*, for piano and orchestra. Adams has achieved world fame through his opera *Nixon in China* which works a sophisticated personal extension of the idiom loosely known as minimalism.

Neither of Friday's works could be called "minimal" in anything other than artistic interest. Laying hands on the Whitman poem, a sternly honest and shocking piece of close observation on the ways of human response to human suffering, Adams makes a small amount of squashy romantic harmony and texturing do a large amount of artistic duty – the music adds nothing to the words, and detracts from their dignity. And as for *Eros Piano*, evidently inspired by the gifts of the soloist, Paul Crossley, it seemed to me pure cocktail-lounge stuff minus the tunes.

Adams's programme notes, with their references to his own compositional duality as Trickster and Serious Artist, suggest that he sincerely intends these works as subtle studies in Post-Modern style. On the evidence of a single encounter I'm tempted instead to view their character as a blend of tiny talent and enormous hype.

Max Loppert

Rambert: Embrace Tiger and Return to Mountain

APOLLO THEATRE, OXFORD

No British dance company has changed more in recent years than the Rambert. And it has made this plain by occasional revivals of works that were once important to it. Glen Tetley's *Ricercare* and *Pierrot Lunaire* and Antony Tudor's *Dark Elegies* have been exhumed and have appeared harmless and irrelevant. Now, for its last new production for the 1980s, the company has looked up another old flame. This one is no better, but its impact, in context, is different. The work is Glen Tetley's *Embrace Tiger and Return to Mountain*, made for the Rambert in 1968.

One look at the costumes – tie-dye Tequila Sunrise leotards and tights for both sexes – and you can believe its date. Likewise the movement. Tetley here dipped his usual mix of ballet and Martha Graham techniques into T'ai Chi – the Chinese system of calisthenic exercises in shadow-boxing. Like *Shadowplay*, which Antony Tudor made for the Royal Ballet the previous year, *Embrace Tiger* attempts a weighty Orientalism of style and timing that today looks mere 1960s modishness – about as modern as beehive hairdos and bellbottom hipsters.

The Rambert began the 1980s with the advent of Richard Alston's choreography, and these have been its post-Tetley years. *Embrace Tiger* is unlike anything Alston has made for the company and unlike most of the company's other 1980s acquisitions. It is devoid of delicacy, wit, variety of scale. Its score, Morton Subotnick's *Silver Apples of the Sun*, is an electronic music synthesiser affair. Whereas Alston's own *Dangerous Liaisons* made a dramatically witty, detailed response to a similar score, Tetley's response to Subotnick is just vague and generalised.

And yet, and yet. *Embrace Tiger* has an uncomfortable force. Between its slow solemn beginning and its driving solemn finale, the shadow-boxing at the ballet's core occurs in terms of combative, male-female duets. It is a bit like watching Burton and Taylor in *Who's Afraid of Virginia Woolf?* – not actually good, but not to be dismissed. What Tetley conveys crudely here is the theme that so brilliantly illumines many pas de deux in Balanchine's ballets – the struggle for power within male-female relations.

One woman (Lucy Bethune), gripped by a man (Mark Baldwin), sullenly flexes and points her feet as if asserting her independence. Another woman (Catherine Quinn) is even more assertive about her use of the ball of her foot. Each of the five women shows her need both to confront her man and to break free of him.

Today's Rambert dancers sweep through all this with far greater edge, cleanness and power than their predecessors, on the work's last showing in 1979. Here, and in everything else they danced last week on the broad stage of Oxford's Apollo, they are more glorious than I've ever seen them. It's awful, in a way, that they're so marvellous in Tetley's dated tie-dye T'ai Chi tosh. They squat, wade, scythe, heave and shunt their way through it to perfection.

But they seem grateful for its combative edge. The women, in particular Quinn, look kindled, dangerous, less demure. *Embrace Tiger* is by no means a serious work of art, and yet it reminds you how non-committal Alston and other latterday Rambert choreography has been on the subject of sexual relations. In contrast to *Embrace Tiger* everything else that today's Rambert dancers do looks alert, detailed, juicy, complex, elegant, musical, intricate, varied, civilised – and, when it comes to tension between man and woman, politely evasive.

Alastair Macaulay

Bix Beiderbecke remembered

The music of cornettist Bix Beiderbecke and his friends will be commemorated at a concert at London's Elizabeth Hall on Saturday December 16.

Playing a programme of numbers made famous by Bix, Joe Venuti, Eddie Lang, Frankie Trumbauer and Red Nicols, will be an orchestra led by pianist Keith Nichols.

Among musicians appearing will be Guy Barker (trumpet), Randy Colville and Mac White (saxes and clarinet), Gordon Blundy (trombone) and Graham Read (bass and tuba).

Tickets from the box office (01) 928 8800. Further concert details from Michael Webber, 19 Netherhall Gardens, London, NW3 5RL.

ARTS GUIDE

November 24-30

OPERA AND BALLET

London

Royal Opera, Covent Garden. The Royal Opera tries again with *Idomeneo*. This time its new production is entrusted to Johannes Schaaf; the conductor is Jeffrey Tate. Philip Langridge takes the title role, and Ann Murray, Sylvia McNair, Elizabeth Connell and Robert Tear complete the strong team of principals. Further performances of *Rigoletto*, in the Nuria Espert production conducted by Sian Edwards, with Judith Howarth (Gilda) and David Rendall (the Duke), and Brent Ellis in the title role. Royal Ballet, at Covent Garden, is seen in two performances of *Swan Lake* on Saturday and in a triple bill on Wednesday. At Sadler's Wells, London Contemporary Dance Theatre continues a season, with interesting repertory.

Paris

Opéra. A Balanchine – Robbins programme to the music by Tchaikovsky, Prokofiev, Chopin and Stravinsky is performed by the Paris Opéra stars and ballet corps accompanied by the Paris Opéra Orchestra conducted by Michel Tabachnik (47425371). Théâtre des Bouffes du Nord. South Africa's theatre and music, *Woza Albert!* in Peter Brook's production (42969694).

Vienna

Staatsoper. Smetana's *Die verkaufte Braut* is conducted by Lenard Jahn, with a cast including Joanna Borowska and Alfred Sramek; *Le Nozze di Figaro* is conducted by Peter Schneider, and the cast includes Lucia Popp and Peter Wimberger; *Boris Gudonov*, conducted by Woldemar Nelsson, is sung by Rennveig Braga, Franz Kasemann and Heinz Holecek; Donizetti's *Maria Stuarda* is conducted by Ion Marin with a cast including Agnes Baltsa, Maria Zampieri and Alexander Maly.

Amsterdam

Muziektheater. Nederlands Dans Theater with a new ballet by Jiri Kylian, *Shaker Loops* and *Raptus* (Thur) (255 455).

Berlin

Opera. *Aida* in Götz Friedrich's production features Bruna Baglioni, Wilhelmina Fernandez, Michael Sylvester and Ingvar Wixell. *Don Giovanni* has a new cast led by David Hampson making his debut in the title role, Daniela Bechley, Julia Varady/Pilar Lorengar and Manfred Roehrl. *Fidelio* in Jean-Pierre Ponnelle's production will be conducted by Heinrich Hollreiser with Sabine Haas, Carol Malone, George Gray and Viktor von Halem.

Hamburg

Opera. *Hommage a Jose Limon* with three ballets *The Unsung*, *The Exiles*, *The Moor's Pavane*. *Tosca* has a particularly strong cast led by Leona Mitchell, Giacomo Aragall, Ingvar Wixell, with conductor Leonard Slatkin. *Tristan und Isolde* has Gabriele Schnaut and Wolfgang Fassler excellent as leads. Also offered *Zar und Zimmermann* and *Eugen Onegin*.

Bonn

Opera. The successful Marco Arturo Marelli *Madame Butterfly* production returns with Yoko Watanabe, brilliant in the title role, Chieko Shirasaka, Lando Bartolini, Richard Cowan and James Wood. *Der Nussknacker* has wonderful Youri Vamos choreography.

Frankfurt

Opera. The first ballet premiere with choreography by William Forsythe, Susan Marshall and Amanda Miller. *Rusalka* returns with Clarry Bartha in the title role, Gail Gilmore, June Card and Allan Glassman. *Il Barbiere di Siviglia* rounds off the week.

Cologne

Opera. The first co-operation between Düsseldorf Opera and Cologne Opera is the new Wagner cycle produced by Kurt Horres. This week's offering is *Das Rheingold*. The cast includes Robert Hale, Jon del Carlo, Hanna Schwarz and Matthias Hoelle. Also offered *Faust* with Josef Protschka outstanding in the title role.

Munich

Opera. The very successful Ring cycle production by Nicolaus Lehnhoff returns with *Götterdämmerung* and stars Hildegard Behrens, Lisbeth Balslev, Waltraut Meier, Rene Kollo and Matti Salminen. *La Bohème* is sung by Gabriele Benackova-Cap Julia Conwell, Wolfgang Brendel and Francesco Ellero-d'Artegna. Tchaikovsky's Die Jungfrau von Orleans, produced by Harry Kupfer features Waltraud Meier, Julia Conwell, Alejandro Ramirez, John Broecheler and Theo Adam. The ballet *Der widerspänstigen Zähmung*, choreographed by John Cranko rounds off the week.

Barcelona

Gran Teatre del Liceu. *Adriana Lecouvreur*, co-produced by the Teatro Alla Scala and Teatro Communale, features Mirella Freni and Placido Domingo, Romano Gandolfi conducts (318 91 22).

Rome

Teatro dell'Opera. Ruggiero Raimondi sings the title rolein a new production of Verdi's *Falstaff* by Beni Montresor,conducted by Evelino Pido (Tues) (46.17.55).

Florence

Teatro Communale. Ermanno Olmi's production of Janacek's *Katja Kabanova* sung in Czech with Italian subtitles and conducted by Christian Thielemann. Ashley Putman sings the title role, and the cast includes Stefka Mineva, Dimiter Petkov, Jan Blinkov and Barry Busse (Tues, Thur) (2779236).

Turin

Teatro Regio. Verdi's *Rigoletto* conducted by Maurizio Arena with Luciana Serra, John Rawnsley and Rita Susovsky (Thur) (8815241).

Bologna

Teatro Comunale. Season opens with Werner Herzog's production of Verdi's *Giovanna d'Arco*, with an excellent cast: Susan Dunn as Joan, Renato Bruson as Giacome, and Vincenzo la Scola as Charles VII, conducted by Riccardo Chailly. Sets and costumes are by Henning von Gierke, who worked with Herzog on *Lohengrin* at this year's Bayreuth Festival (Wed) (529999).

New York

Metropolitan Opera. *Les Contes d'Hoffmann* continues, conducted by Sylvain Cambreling in Otto Schenk's production with Ruth Welting, Judith Blegen and Luis Lima. Johanna Meier as the Empress and Janis Martin as the Dyer's Wife join the cast of *Die Frau ohne Schatten* in Nathaniel Merrill's production, conducted by Christof Perick. Leona Mitchell takes the title role in *Aida* with Dolora Zajick as Amneris and Sherrill Milnes as Amonasro in Sonja Frisell's production conducted by Christian Badea. Lincoln Center Opera House (362 6000).

Chicago

Lyric Opera. Frederica von Stade sings Rosina with Frank Lopardo as Count Almaviva and Thomas Allen as Figaro in Roberto De Simon's production of *The Barber of Seville*, conducted by Alessandro Pinzauti. Kiri Te Kanawa continues as Elisabetta di Valois, Tatiana Troyanos is the Principessa Eboli and Samuel Ramey is Filippi in Sonja Frisell's production of *Don Carlo*. Lyric Opera (332 2244).

FINANCIAL TIMES

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Tuesday November 28 1989

Takeovers and 1992

AS BARRIERS to the free movement of goods, capital and labour come tumbling down *all over Europe thanks to* the 1992 programme, the European market in corporate control has an increasingly anomalous look about it. To date it has been touched only marginally by the tide of liberalisation that is sweeping across the Community. It remains diverse in the extreme. And as a new report by Coopers & Lybrand for Britain's Department of Trade underlines, the obstacles to takeovers in most member countries of the Community are far greater than in Britain.

That is an understandable worry *for directors of quoted* British companies who know that Britain accounts for nearly three quarters of all Community takeover activity and remains more open to bids by foreign predators than any other member state. For its part the British Government is anxious to imprint its own enthusiasm for open and efficient markets on the European Commission's programme to remove obstacles to takeovers in Europe. Yet it is questionable whether that constitutes a realistic objective, given fundamental differences of philosophy on the means and ends of corporate activity.

In Britain management is accountable to shareholders; and while directors have been *statutorily obliged since the* 1970s to take into account employees' interests, their main preoccupation is with increasing earnings and assets per share. In contrast, many continental European countries regard the management's first duty as being to the business, the employees and the company's bankers.

Contested bids

The conflict between the two views is highlighted by opposing standpoints on the value of *contested bids. The British* regard takeovers as the ultimate discipline over bad management. For the West Germans, whose system of two-tier boards and limited equity voting rights militates against takeovers, predatory bids are inimical to two key ingredients of their post-war industrial success: management's ability to take the long-term view and harmonious labour relations. And the German banks can provide a more timely discipline than Anglo-Saxon markets – witness the recent departure of the chairman of Daimler Benz at the behest of Deutsche Bank.

There is nothing to suggest that the Anglo-Saxon way of holding management to account is inherently superior and plenty of circumstantial evidence that points in the opposite direction. Nor are takeovers likely to play an overwhelmingly important role in West Germany, France and Italy in the foreseeable future given that these countries' equity market capitalisations amount to a relatively small per cent of GDP. In most Community countries family control remains overwhelmingly important and habits of secrecy die hard.

Extreme case

Within Europe, as Coopers & *Lybrand point out, Britain is* the extreme case. It follows that there are limits to the Government's ability to reshape the European market in corporate control in an Anglo-Saxon mould. There are anyway plenty of worthwhile economic gains to be had from improved information on corporate performance and ownership, which would be of mutual benefit to all member states. These deserve the highest priority. And as much emphasis should be placed on securing the implementation of *existing directives on accountancy* and disclosure as on measures for the future.

Nor is it clear that Britain's interest lies exclusively in opening up Europe to a British corporate invasion. Against a background of weaker sterling, the London merchant banking fraternity's powerful urge to sell off the British quoted corporate sector to foreigners has some temporary merit. For inward investment provides stable long-term financing for a current account deficit now running at around £20bn a year; *encouraging even more* outward investment would, in the short term, be singularly inept from a macroeconomic point of view.

At a more fundamental level recent experience in the US suggests that the political consequences of an international market in corporate control are very difficult to manage. In the circumstances it may be no bad thing if Europe's market in corporate control is built brick by brick. Most continental Europeans would not have it any other way.

Self-regulation of the press

FOR SOME TIME there has been public unease about the *conduct of the British press,* concerning both intrusions into privacy and inaccuracy. The code of conduct published yesterday by editors of national newspapers is an attempt to allay those anxieties without the need for statutory rules.

The Financial Times supports a system of self-regulation for the newspaper industry. The system should ensure that complaints from readers are dealt with promptly and fairly, that readers who think they have been badly treated by a newspaper should have an opportunity for redress, and that there is continuous pressure on newspapers to maintain the highest standards of journalistic behaviour.

Self-regulation should cover both the internal procedures within each newspaper for handling complaints and a strong, independent Press Council to which readers can *turn if they are not satisfied* by the newspaper's response or if they believe that a newspaper's behaviour is falling seriously below acceptable standards.

The code issued yesterday covers respect for privacy, opportunity for reply, prompt corrections, the conduct of journalists in obtaining information and the avoidance of *irrelevant references to* race, colour and religion. These points are consistent with the principles which the Press Council has been seeking to promote for many years; the council's revised code of practice is due to be published next month, as part of a review of its method of operations.

Readers' ombudsman

The Financial Times supports the code of conduct issued yesterday. However, we have reservations about the proposal that each newspaper should appoint an ombudsman or readers' representative to respond to and to rule on readers' complaints. In our view, readers must have the right to complain directly to the editor about inaccuracy or unfairness. The editor is responsible for the contents of the newspaper and it is an important part of his or her job to deal with *readers' complaints. In our* case, we do not consider it helpful to delegate this part of the editor's job to a readers' representative whose independence may be open to debate.

It is for each newspaper to establish arrangements which suit its particular circumstances. Our policy is to correct factual errors promptly, while the letters column is open to readers who disagree with our opinions and judgments. Sometimes there are disputes about accuracy or fairness which cannot be settled by *negotiation between* the editor and the complainant. While recourse to the law is an option in cases of alleged defamation, it is right that readers should be able to refer their complaints to an independent arbitrator and that rulings by the arbitrator should be published prominently by the newspaper concerned.

Speedier procedures

Newspapers can set up their own independent ombudsman, as some US newspapers including the Washington Post have done. In the UK the Press Council was set up to play that role and there is no reason why it should not do so satisfactorily, as long as it is run efficiently and supported by *all* sections of the newspaper industry. The council has been criticised for being slow and cumbersome; the reforms to be announced next month are designed to speed up its procedures and make them more effective.

The Government has responded to public disquiet about the behaviour of newspapers by establishing the Calcutt committee to consider safeguards against intrusion into privacy and other matters. *Statutory regulation, as* proposed by several members of parliament, would pose a serious threat to press freedom. It is up to the newspapers to demonstrate by their own behaviour and by their support for a streamlined Press Council that they are capable of putting their houses in order without government intervention.

David Lascelles on Deutsche Bank's strategy in acquiring Morgan Grenfell

Slow to strike but sure of aim

When Alfred Herrhausen joined the senior management of Deutsche Bank 19 years ago, it did not have a single retail office outside Germany. Today, under his leadership, it has 300, and by the end of this year it should also have completed its biggest foreign acquisition, the £950m bid for Morgan Grenfell, the London merchant bank.

Yesterday's deal is the clearest sign yet of the powerful advance which Germany's largest bank has mounted on the world stage, an advance which many believe puts it in a good position to straddle the Continent and become the first European bank *par excellence* in the 1990s.

But in spite of its increasingly awe-inspiring reputation, Deutsche Bank is a complex creature whose inner workings in its glistening twin towers in Frankfurt are often mysterious, and *whose outward behaviour can* provoke mixed reactions among those who deal with it. Even Mr Herrhausen was at pains yesterday to put a damper on some of the wilder speculation that has been doing the rounds about his plans.

"Our ambition is not to become the biggest bank in the word. That would be nonsense . . . crazy. Our aim is to compete successfully in the world markets, and to have a place among the world's 10 or 15 largest banks. Our ambition now is what it was 10 years ago: to protect and strengthen our competitive position in the world markets."

Part of Deutsche Bank's complexity arises from the fact that it is both a giant and a dwarf. Far from being Europe's largest bank, it actually ranked sixth in asset terms at the end of last year behind Barclays, National Westminster, and the three largest French banks.

Its late start on the international scene also means it is poorly represented in many key centres, and lacks a world presence commensurate with Germany's industrial might. Only two years ago, a top British banker who was involved in negotiations with Mr Herrhausen, described him as "disappointingly provincial."

Even within Germany, Deutsche Bank accounts for less than 5 per cent of the loan market (Barclays has about 20 per cent of the United Kingdom market), and derives much more influence from large industrial holdings in companies like Daimler-Benz and Allianz, the largest insurance company.

Some of the force, therefore, behind Deutsche's expansion comes from a need to strengthen the geographical *spread and the range of its activities.* In the last three years, Deutsche has bought banks in Italy, Spain, the Netherlands, Austria, and Portugal, which have brought it a much wider presence on the ground.

Although this gave the impression that Deutsche's aim was to build up a chain of banking networks around Europe, Mr Herrhausen says that was not the case. He only wanted to retail banking services where he could be among the largest banks in the market. That was why Deutsche is not interested in bidding for Yorkshire Bank, the UK regional now up for sale, "though we looked carefully at *it,*" he says.

On the other hand, Deutsche has built strongly on the German universal banking culture, or *Allfinanz,* by which banks become the major suppliers of all types of financial service, at least on the domestic market. This prompted a move into life insurance, and management consulting.

But abroad, a conspicuous area where Deutsche Bank was weak was in merchant banking. Although it has *successfully developed its London* subsidiary, Deutsche Bank Capital Markets, into one of the leading players in the international debt issuance and trading business, this is not the same as possessing the deal-making skills of a top merchant bank.

To some extent, this was a matter of acquiring the open Anglo-Saxon financial culture, which is distinct from the German universal banking culture, and of which Mr Herrhausen is an admirer. "I think this culture is very internationally minded and is the reason for the great success of British and American financial institutions in the world," he says. "In *Germany we are not internationally* minded, but we must learn to be."

He also blames the "juristic" mentality which has dominated the corporate culture of German banking since the war, and led bankers to concentrate too much on business procedures, and not enough on actually getting the business in the first place. "I think we are changing this now," he says.

Eventually, Deutsche may even *start to wind down some of the* industrial holdings which underpin its powerful standing, but actually provide it with rather small returns. There is mounting shareholder pressure for the bank to liquidate holdings and divert them into building new business areas which will strengthen the group's profits.

The main question, however, for Deutsche is what is most likely to happen in Europe in the years ahead, and how it should respond. Already, Deutsche sees information, technology and capital flowing freely across borders, and Mr Herrhausen predicts: "All our customers are going to *internationalise themselves.*"

He expects to see a lot of cross-border mergers and acquisitions, particularly among smaller and medium-sized companies, for which Deutsche is preparing itself by doing deals like Morgan Grenfell.

But for the bank itself, the issue is how best to establish itself in foreign markets around Europe. Deutsche Bank is not a believer in building up new businesses from scratch because they take up too much in *terms of* people, time and capital. Nor is it enthusiastic about the merger route having seen the failure of attempted cross-border bank marriages like that between Amro of the Netherlands and Générale Banque of Belgium. Another route – cross share-ownership on the Royal Bank of Scotland-Banco Santander pattern – is not attractive either. Which leaves acquisition as the preferred option.

The main challenge of acquisition, Mr Herrhausen believes, lies in the acquiring company being ready to tolerate the particular characteristics of the company it is buying. "In some cases, people don't accept the culture of the companies they acquire", he says. This point is particularly apposite in the case of Morgan Grenfell.

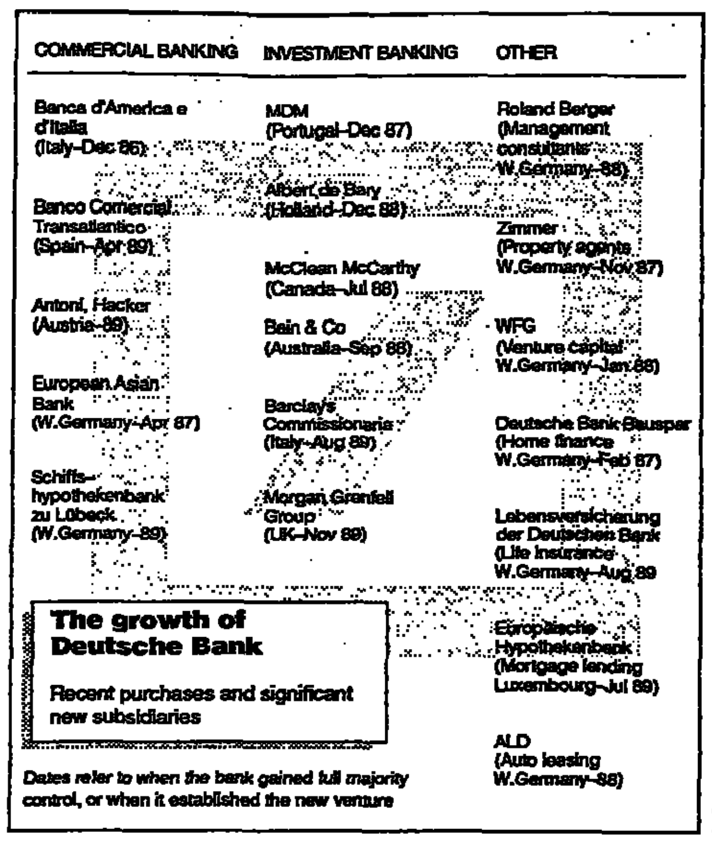
Recent developments in eastern Europe will have a profound effect on Deutsche Bank, though they will not alter its west European strategy, Mr Herrhausen says. As by far the most prominent financial institution along the East-West border, it will clearly have a major role to play, with potentially wide-ranging political consequences.

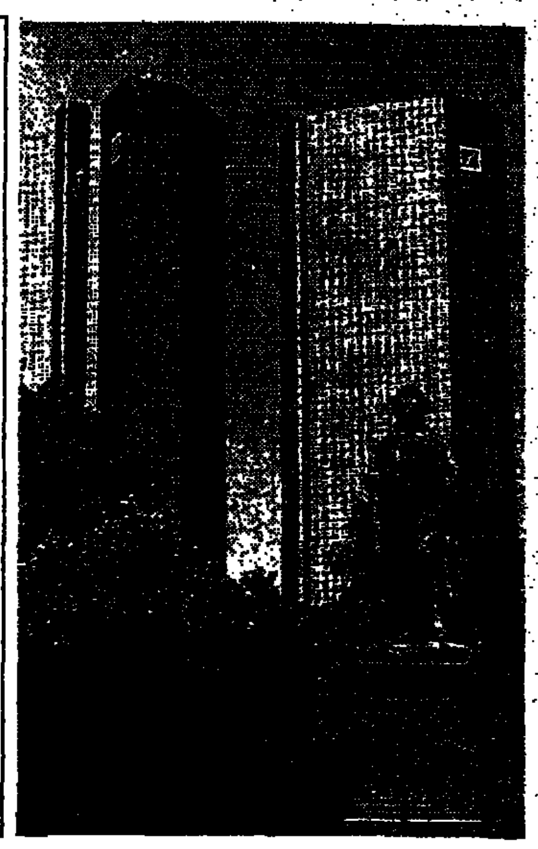
"We're ready to take decisions which have political implications, such as making credits to east Europe or financing joint ventures. We are keen to support moves towards free markets and democracy," says Mr Herrhausen. "But they will be driven by commercial considerations."

Personally, Mr Herrhausen seems anxious about the political position of Mr Mikhail Gorbachev, the embattled Soviet leader: "The winter will be difficult. There could be people in the Soviet Union who starve . . ." But he does not press the thought through to any conclusion.

If the Morgan deal goes through, there will only be one important piece missing from Mr Herrhausen's European edifice – a solid foothold in France. And he is not sure how he will obtain it so long as the French Government preserves state control of the banking system. But it took him five years to decide whether to buy Morgan Grenfell – a sign of the patient caution with which Deutsche proceeds.

Mr Hilmar Kopper, one of Deutsche Bank's board members who will become a director of Morgan, says: "We're very slow. But when we go we really mean it."





Both will be breaking new ground

John Craven, Morgan Grenfell's chairman, lived up to his reputation as one of the City of London's top dealmakers yesterday with the generous price he obtained for his merchant bank from Deutsche Bank. But the tougher question is, can he make the relationship work?

In Deutsche Bank, Morgan will acquire a top flight parent – financially strong, enormously well-connected, and with clear ambitions to expand globally. But Deutsche is also a relative stranger to merchant banking, a business where large egos have to be massaged, delicate deals struck, and even the occasional scandal dealt with – as Morgan has found to its cost. In London, merchant banks have seldom thrived in the ownership of big banks.

Furthermore, yesterday's deal has an impulsive look to it. Deutsche has owned a stake in Morgan for five years and could have made a much cheaper bid in that time, but did not. The stake also did not produce any notable flows of business between the two banks despite the fact that both were keen to expand into each other's markets. Since last Christmas, when Morgan pulled out of the securities business, it has, however, been a much healthier bank, and a more attractive proposition.

But Mr Craven claimed yesterday that there was enormous support among his staff for the deal – much more than he could ever have mustered for a deal with Banque Indosuez, the rival French bidder which he said was not "a leader." Up to 50 senior members of his bank were closely involved in the negotiations. When he addressed staff early yesterday to explain the terms, he was greeted by applause.

Although Morgan will become part of the Deutsche Group, it will preserve its independence as an operating unit, with its own accounts. Staff will also receive incentives linked to Morgan's performance. Mr Craven himself will become the first foreigner ever to join Deutsche's main board.

Other bonuses for Morgan include the fact that it will become responsible for two group-wide Deutsche Bank activities: mergers and acquisitions, and international asset management, the two main businesses in which Morgan now specialises.

"We are surrendering our independence of ownership after 151 years," said Mr Craven. "But the fact that we're moving to the ownership of a single institution which can be *supportive is a positive move.*"

Culturally, the two businesses are different in many ways, and gaps will have to be bridged. As a merchant bank, Morgan has to be flexible and light-footed, something that Deutsche with more than £100bn of assets could not be said to be. The Germans will have four people on Morgan's board.

Also, Morgan belongs to the Anglo-Saxon banking culture with its stress on deal-making and open markets, as opposed to the rather closed, bank-dominated style of the Germans. But Deutsche's head, Mr Alfred Herrhausen, said: "We must try to import some of that culture by keeping open *the communications.*"

Ideally, the two sides see themselves hitting it off best in international takeovers and acquisitions, with Deutsche widening Morgan's range of corporate contacts, and Morgan supplying Deutsche with skills it has always lacked – at a time when developments such as the European single market of 1992 are expected to boost international deals.

On the fund management side, Morgan has a big business in the US, and growing activity in Europe, managing a total of £17bn of assets. Although Deutsche is the biggest fund manager in Germany, its international business is quite small, again providing scope for the two banks to help each other.

In Deutsche, Morgan has clearly found "the leader" it was hoping for, and Deutsche in Morgan the "centre of competence" for its ambitions in London. But both institutions are moving into new and difficult territory in managing their relationship which will provide the real test.

Toppling of Danny Wall

■ Danny Wall, the chief US regulator at the heart of the Lincoln Savings and Loan scandal, is in that unenviable position of sitting on the end of a branch which is slowly, but inexorably, breaking. Wall is being blamed, with some justice, for the near two year delay in the Federal closure of Lincoln at an additional cost to US taxpayers of more than $1bn.

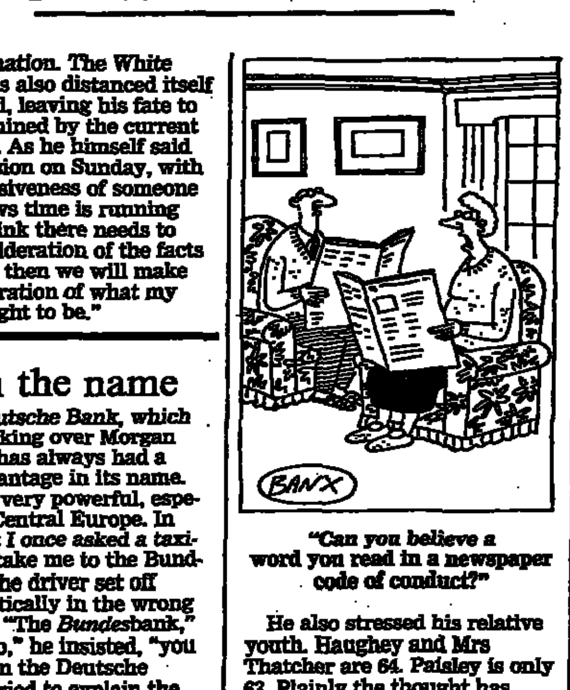
Aged 49, Wall is a classic product of the US patronage system. His main mentor has been the Republican Senator, *Jake Garn of Utah, whom Wall* first served as urban renewal director more than 20 years ago when Garn was mayor of Salt Lake City.

When Garn was elected to *the Senate in 1974, Wall* followed. In 1980 he became director of the Senate Banking Committee's staff. When the Republicans lost control of the Senate, Wall received the backing of Garn and other senators to take over in mid-1987 as chairman of the Federal Home Loan Bank Board, the savings' regulator.

Wall has emerged from a series of televised Congressional hearings as high-handed and ineffective, resisting pressure from some of his staff for tough action against Lincoln. Nevertheless, when Congress reorganised the savings and loans industry, Wall's position was safeguarded, thanks to Garn and other friendly senators. Wall was put in charge of the Treasury's new Office of Thrift Supervision and exempted from the need for the usual Senate confirmation *hearings.* Such sessions might have been embarrassing not only for Wall but also for some senators, whose own role in the affair might have been exposed.

In the event, Wall has come under close scrutiny from the House Banking Committee, whose populist chairman, Henry Gonzalez, has demanded his resignation. The White House has also distanced itself from Wall, leaving his fate to be determined by the current inquiries. As he himself said on television on Sunday, with the defensiveness of someone who knows time is running out: "I think there needs to be a consideration of the facts here, and then we will make a consideration of what my future ought to be."

OBSERVER



"Can you believe a word you read in a newspaper code of conduct?"

All in the name

■ *The Deutsche Bank,* which is busy taking over Morgan Grenfell, has always had a great advantage in its name. It sounds very powerful, especially in Central Europe. *In Frankfurt I once asked a taxi*-driver to take me to the Bundesbank. The driver set off enthusiastically in the wrong direction. "The *Bundesbank,*" I said. "No," he insisted, "you must mean the Deutsche Bank." I tried to explain the functions of the Bundesbank and what it is. "You see," he interrupted triumphantly, "you *do mean the Deutsche Bank.*"

Young Paisley

■ The "Big Man" goes on and on. Ian Paisley, preacher, anti-papist and politician, had been looking as though he was losing some of his enthusiasm for fighting the enemies of *Ulster. But at his Democratic* Unionist Party's conference at the weekend he was back to his thundering form.

He was particularly harsh about Ulster Unionists tempted to accept the recent invitations to talks with Charles Haughey, the Irish Prime Minister. "Let us make no mistake about it, Dublin is not the friend of Ulster, Dublin is the inveterate enemy of Ulster. Haughey is not the friend of Ulster, Haughey is the inveterate enemy of the Ulster people."

He also stressed his relative youth. Haughey and Mrs Thatcher are 64. Paisley is only 63. Plainly the thought has occurred that he might outlast them yet.

Swedes marry

■ At the last count, about half the men and women living together in Sweden were unmarried. Such couples are known as sambos. All that is suddenly changing.

Over the past few weeks, thousands of Swedish men and women who cohabit have been queuing up outside the country's churches and registry offices desperately anxious to get married. Stockholm's City Hall has a long waiting list for marriage receptions and priests are complaining of over-work.

The reason for the conversion comes not from a moral revival, but from a well-known Swedish trait – beating the tax system. Under a change in the law that comes into force on January 1, women will lose their right to receive a widow's pension when their man dies unless they are joined together in matrimony.

At least that is what they think. In fact, the legal change – part of the country's great tax reform – is more complicated. Most women will still be entitled to benefit for their children if their man dies, whether they are in or out of wedlock. However, many Swedes are not prepared to take the risk of finding themselves out of pocket. So they are playing safe and getting married.

Perhaps not

■ *Last week's joke in Prague:* "In the year 2,000 Europe will be in three parts. There will be a United States of Western Europe, a Union of Soviet Capitalist Republics and a third *part in the middle called the* Czechoslovak Socialist Republic."

Another East

■ According to the West German polling organisation, Wickert, 600,000 West Germans would prefer to live in East *Germany, though few have* yet decided to go. One who just has is Rudolf Bahro, the left-wing writer and former East German citizen who was imprisoned in 1978 for writing a critical analysis of East German society called The Alternative.

In 1979 he was released and went to live in West Germany where he was briefly a leading Green Party thinker before becoming immersed in eastern mysticism. He is reported to have said that after recent events East Germany is ripe for an opening towards contemplative eastern religion.

Safe choice

■ Sign over a display of burglar alarms in a Birmingham shop: "Ideal gift for the man who has everything."

LETTERS

Checks can be more effective than controls

From Mr Adam Fergusson.

Sir, Edward Mortimer begins his article ("Pulling down the frontiers," November 23) with a quotation from the Prime Minister's speech at Bruges, where she said it was "... plain common sense that we cannot totally abolish frontier controls if we are also to ... stop the movement of drugs, of terrorists, and of illegal immigrants. That was underlined graphically only three weeks ago, when one brave German customs officer, doing his duty on the frontier between Holland and Germany, struck a major blow against the terrorists of the IRA."

Mr Mortimer notes that Mrs Thatcher's argument has failed to persuade West Germany and the Netherlands: the Schengen Treaty will abolish, in December, all frontier controls of the flow of people between them. But the correct story of the arrest of those two IRA terrorists never supported the argument in the first place.

Your readers will recall that the men were not arrested at a frontier control, but some 150 yards (or metres, as they are known in those parts) inside West Germany, where they had stopped their car voluntarily – perhaps to study a map – at a road junction near Waldfucht. The brave customs officer who challenged them on suspicion, and to whom they surrendered, was not on a routine patrol; indeed their capture seems to have been largely a fluke.

Those terrorists were less likely to have been taken unawares and apprehended at a frontier control than, as happened in practice, by the kind of spot-checking (on a known drug-smuggling route) now envisaged by the five countries of "Schengenland."

As the Channel Tunnel nears completion, it might be common sense to begin aligning ourselves with the Schengen philosophy.

Adam Fergusson,
15 Warwick Gardens, W14

A statutory minimum wage in the UK context

From Mr Bryn Jones.

Sir, Professor Richard Layard claims (November 22) that low wage levels create jobs, minimum wage legislation destroys them; while tax and benefit allowances (TBA) could compensate low-waged workers. This view rests on two idealised assumptions:

- That firms prosper better through a low wage/low price business strategy; and
- That the existence of some kind of job opportunities is the important thing, rather than the nature of work.

But in the UK context, the more cheap labour is encouraged, the more firms will rely on providing low cost/low quality types of goods and services, rather than the more competitive high quality/higher cost characteristics of, say, north European imports. Low pay also means low skills, low morale/commitment, susceptibility to redundancy; and often makes it difficult to justify the costs of investing in new technology.

TBAs would subsidise low-wage employers. And rather than being a pre-condition for skill-based competitiveness and business expansion, the Layard proposals would preclude them.

Bryn Jones,
School of Social Sciences,
University of Bath

From Mr Edgar Palamountain.

Sir, Professor Richard Layard (November 21) does well to warn us of the danger that the European Community may try to impose minimum wage legislation.

As he points out, unless a minimum wage is set so low that its significance is little more than cosmetic, it is bound to cause unemployment among the poorest and most disadvantaged members of society. One would have thought that this conclusion, unlike some other economic theorems, was plain common sense; the existence of minimum wage standards in so many countries is therefore hard to explain. The explanation no doubt lies in the considerable influence exerted by trades unions concerned to further the interests of their members, rather than those of workers as a whole.

It is somewhat ironic that the draft EC Social Charter should refer to the combating of unemployment as a priority objective, but should otherwise demonstrate quite clearly the dominant part which the unions must have played in its formulation.

Edgar Palamountain,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

IBM and the GSA

From Mr A.B. Cleaver.

Sir, Your article "IBM admits selling used equipment as new" (November 17) seems to impugn the reputation built by IBM employees, by suggesting that IBM wrongdoing has been uncovered in an investigation by the General Services Administration (GSA), the US Federal Government's procurement watchdog.

This suggestion is wrong. Minor administrative errors were discovered by IBM as a result of our internal audits, and voluntarily disclosed by IBM to the GSA more than 18 months ago. Since then we have co-operated with the GSA to reach a satisfactory resolution of these issues, including reasonable compensation where appropriate.

Our disclosure and on-going co-operation with the GSA are indicative of IBM's efforts to maintain the highest standards of business conduct in its dealings with customers. IBM resents any suggestion to the contrary.

A.B. Cleaver,
IBM United Kingdom,
PO Box 41,
North Harbour,
Portsmouth, Hampshire

Careful parenting begins here

From Mr Michael Barnato.

Sir, Corporate parenting has a lot in common with family parenting and similar factors make for success. There is, therefore, clear common ground between Mr John Cahill (Letters, October 5) and Messrs Campbell and Gould (Letters, November 6).

My female twins, plus toddler, provide the following insights into the opportunities for parenting success (whether corporate or family):

- Synergy (shared clothes and toys);
- Restructuring (creating a family room);
- Control systems (a carefully timetabled day);
- Appropriate skills (simultaneous, not sequential, feeding);
- Financial engineering (reduced school fees per head for second and third girls in the family).

Michael Barnato,
Indevo,
34 Park Street,

Reuters service

From Mr Nigel Judah.

Sir, An advertisement by Knight-Ridder Inc. appeared in the Financial Times on November 14 which bore the headline that Knight-Ridder was first with the news ahead of Reuters and Dow Jones. This assertion was said to be based on a Reuters internal document. The claim, based upon misinterpreted statistics, is wrong.

Reuters is certain that its world news services are overall the fastest and most comprehensive available.

Nigel Judah,
Reuters,
85 Fleet Street, EC4

Master cook

From Mr Philip Barton.

Sir, Lucy Kellaway describes moves in Luxembourg to settle accounts in Ecu with a Eurocheque or Visa or Eurocard (November 21). Thomas Cook Mastercard travellers' cheques, denominated in Ecu, have been available for several years. I have used them in Europe with no acceptance problems.

Philip Barton,
Drake Beam Morin,
5 Arlington Street, SW1

Management buy-outs and public companies

From Mr C.T. van Hoorn.

Sir, The bid for UK Paper by the Finnish paper company Metsa-Serla raises again the role of executives who are also (or hoping to become) significant shareholders.

There should indeed be questions asked of the Bowater board by shareholders, that having sold this paper operation for as little as £38m to the management three years ago, it is now the subject of a £263m bid by the Finns. Paper is a notoriously cyclical industry, but the impression is that the earlier valuation was the result of some very pessimistic forecasting by those who subsequently took on the responsibility of running the company.

The very large individual executive shareholdings evident here must tend to create pressure to sell sooner than otherwise, while making it less crucial for the best possible price to be achieved. This could encourage the executive/shareholder to look for potential purchasers who would give him/her the most favourable ride following the bid – that is, those with limited management experience in the UK.

Fears have also been expressed about the danger inherent in an opposite situation. Perhaps the time has come for formal guidelines.

C.T. Van Hoorn,
16 Grimwade Avenue,
Croydon, Surrey

Business rate blues

From Mr Peter Damesick.

Sir, The director of the Merseyside Chamber of Commerce (Letters, 14 November) is right to protest the inequitable treatment of northern businesses in the phasing-in provisions for the new Uniform Business Rate (UBR). Those business occupiers who stand to gain from a reduced rate bill will have the full benefit deferred – in some cases for many years – in order to pay for the phasing-in protection given to occupiers facing large rate increases. The parallel with the previously proposed "safety net" arrangements for the Community Charge is obvious.

The solution, as has occurred with the Community Charge, is also obvious. Rather than the suggestion that the UBR be set at a higher rate in order to fund the phasing-in of increases, so cushioning the losers, the Treasury should dip into its ample surplus so that the prospective gainers can receive the full benefit of lower rates from April 1990.

This would be fair. More than that: it would also provide a modest but extremely well-targeted fiscal boost to business in precisely those parts of the UK which have both the capacity and need for more jobs and investment. As such it would be a valuable counter-inflationary measure, helping to create the conditions for a more balanced pattern of regional growth.

The over-concentration of excessive demand growth in the overheated land and labour markets of south east England has set the pace in driving up costs and prices nationally over the past few years. As a consequence the UK economy as a whole is now threatened with a severe slowdown, if not a slump, as the Government tries to stamp on inflation with high interest rates.

In this context, the authorities should not ignore the opportunity provided by the introduction of the UBR to promote a less inflationary pattern of growth by allowing the full rates reductions scheduled under the new system to take effect immediately.

Peter Damesick,
St Quintin,
33 Cavendish Square, W1

Pensions problem

From Miss Wendy Ironmonger.

Sir, With good reason, the UK Government's response to the Occupational Pensions Board (OPB) report may be regarded by some as catastrophic for the final salary scheme.

How many employers would be happy to assume liability of any shortfall in assets over liabilities on the basis of pensions being revalued at 5 per cent a year compound? "Not many" is the probable answer – unless adequate insurance can be made available.

The problem is that there is no such thing as a standard pension scheme. Unless employers are willing to have something comparable to an annual actuarial valuation on a prescribed basis, a way round this needs to be found.

I suggest that once the value of benefits to date has been determined on conventional principles, it will be necessary to bring into play an amount calculated using a money purchase basis as a surrogate – specifically I would propose that future service benefits are deemed to be represented by accumulating a percentage of salary roll for each member, according to the member's age each year.

This contribution would be related to the benefit to be provided, and the insurer can apply loadings according to the member's risk category. The OPB already has guidelines for working out percentages of salary roll related to the final salary benefit which will be accruing each year, using quinquennial age bands.

A system of credit insurance would solve both the problems posed by the Government's response to the OPB report and provide additional security for top executives in respect of that part of their pension which (post-1989 Budget) may have to remain unfunded.

Such insurance may not come cheap. But its cost would be less than that of full funding. Perhaps it is time to question whether full funding is necessarily either wholly desirable or a fully efficient use of resources.

Wendy Ironmonger,
9 Larch Way,
Haywards Heath, West Sussex

'A strong GATT agreement remains first prize'

From Mr Harry L. Freeman

Sir, Your recent coverage of exports and imports of invisibles, including coverage of trade in services, has been excellent. However, it has not mentioned or developed a key point in the US's negotiating position in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), particularly in financial services.

Make no mistake about it: US financial services companies with substantial international operations want a strong, comprehensive multilateral agreement which establishes global rules to govern trade in financial services. These companies have already invested time and resources in support of a good agreement, and they are prepared to continue to do so in the next 13 months as GATT negotiators meet in Geneva.

If an effective GATT agreement is not reached, US financial services firms are prepared to take an alternative bilateral or regional approach. Gone are the days when a less sophisticated US private sector followed the course of GATT negotiations from a distance, and accepted any multilateral agreement without reservation. There is no longer either a political or an institutional imperative to support any new GATT agreement, regardless of its provisions, as a matter of course.

Furthermore, clear alternatives now exist if the GATT negotiations fail to produce a good agreement. Thanks mainly to important statutory changes in the US 1984 and 1988 trade laws, there now is a genuine bilateral option available to US financial services firms which find themselves shut out of foreign markets or discriminated against in those markets.

The impact of those statutory changes equated services with goods in access to US bilateral trade remedies. If the GATT negotiations do not succeed, the US private sector can make aggressive use of practices in financial services trade. Still, this is a distant "second best" solution. A strong GATT agreement clearly remains first prize, and the objective of both the US private sector and the US Government.

There is, of course, some irony here. Those countries which have been the most vocal critics of US trade policy, which have stated that the US already is "going bilateral," at the same time have been the strongest opponents of multilateral financial services agreement.

Yet these countries may well have the most to lose if an effective multilateral agreement is not reached, and the US financial services industry resorts to bilateral remedies.

Those bilateral remedies, as now constituted, allow US retaliation against either goods, or services, or both, for proven discrimination against a US services exporter.

Harry L. Freeman,
American Express Company,
American Express Tower,
World Financial Center,
New York City,
New York 10285, USA

FOREIGN AFFAIRS

Peaceful manoeuvres off Malta

The West has a clear interest in ensuring Gorbachev's survival, argues **Robert Mauthner**

An American newspaper cartoon last week depicted the supreme controller in the skies reacting with astonishment to the latest events in Eastern Europe on his monitor screen. "Oops! I accidentally hit fast forward," he says to himself. It is a feeling shared by most ordinary mortals as the amazing spectacle of falling communist dominoes unfolds, not least, it seems, by President George Bush, as he prepares for this week's shipboard summit with his Soviet opposite number off Malta.

The US President's state of mind was aptly summed up when he told a questioner, who asked him how he saw the Nato alliance in 10 years' time, that given the pace of events in Eastern Europe, he couldn't see even 10 days ahead, let alone make long-term predictions. That was not the statement of a man about to make rash decisions affecting the future of the world, however sensitive he might be to criticisms that he has not reacted enthusiastically or positively enough to the escalation of reform in Eastern Europe.

At a time of momentous changes in Europe and the whole East-West relationship, it is not such a bad thing to have a cautious temperament in the White House, anxious to reassure Mr Mikhail Gorbachev of the West's good intentions rather than to take advantage of his weaknesses. The need for cool heads in the present situation hardly needs to be underlined.

It may well be true that, now the democratic genie is out of the Eastern European and, to some extent, the Soviet bottle, it would prove extremely difficult to stuff it back in again; but certainly not impossible, as the years between the two world wars have shown. It is therefore clearly in the interests of the West to ensure the political survival of the one man whose policies laid the groundwork for the heady events of the last few weeks: Mikhail Gorbachev. If he is replaced or overthrown and the Soviet military machine is once again allowed to have its head, who knows what new horrors lie in store for the long-suffering European continent.

One of President Bush's main tasks at the Malta mini-summit will be to give Mr Gorbachev a great enough sense of security to carry on with his good works. Apart from maintaining its own political and military cohesion and achieving a level of economic prosperity which has long been the envy of the communist world, the West has not had to raise a finger to achieve a result which no-one, in their wildest dreams, believed possible only a few months ago. But if the remarkable restraint shown by Mr Gorbachev in the face of the progressive collapse of the communist systems of Eastern Europe is to become a permanent factor of East-West relations, the US and its allies will have to show similar forbearance.

That means, for the moment at least, steering clear of super-sensitive issues such as the reunification of the two Germanys, and the implications such a development would have for the continued existence of the two major military alliances: the Warsaw Pac and Nato. It does not, of course, mean that all discussion of what will inevitably be at the top of the international agenda in the years ahead, should or can be avoided. But such discussions should take place on the clear understanding that German reunification is not for tomorrow. However much it is desired by the German people, it can come only at the end of a process which includes the establishment of a fully democratic regime and a market economy in East Germany, as well as the negotiation of comprehensive east-west conventional and strategic arms control agreements. In no other circumstances would a merger of the two states make sense or be feasible.

Yet whatever the importance of a stand-off by the two superpowers in the present delicately-balanced situation in Europe, world opinion will expect something a bit more positive from Malta. The meeting has been billed as an interim and unstructured occasion, pending a more formal and substantial summit to be held in the late spring or early summer next year. But when the earth has been shaken the way it has over the past weeks and months, the leaders of the world's two most powerful nations must at least give the impression that they know where they are going and that there are still hands on the rudder.

The leaders of the superpowers must at least give the impression they know where they are going

Mr Gorbachev, for one, will want to see a tangible return for the assurance which Mr Bush is seeking that the Soviet Union will allow the democratisation process in Eastern Europe to continue unimpeded. Given that the success of Mr Gorbachev's perestroika policies is now a central tenet of US foreign policy, he could be given satisfaction in both the economic and arms control fields. Moscow has stated publicly that it is not seeking financial help on the scale of the Marshall Plan, but it is certainly anxious to improve its economic co-operation with the West. The huge task Mr Gorbachev faces in restructuring his country's centralised economy could be eased by the lifting of at least some of the restrictions placed by the West on technological transfers to the Soviet Union. In view of the liberalisation of Soviet emigration policy, Washington could also decide to waive the Jackson-Vanik amendment, which has prevented Moscow from benefitting from most-favoured-nation treatment in trade with the US.

The common US-Soviet interest in arms control, based on a mutual desire to lower east-west tensions and, increasingly, on economic and financial considerations, has intensified as the danger of a military confrontation in Europe has receded. It now seems certain that a far-reaching conventional arms reduction agreement will be concluded in Vienna next year, while a superpower accord on strategic nuclear arms has also been brought nearer by the progress made in the talks last September in Wyoming between Mr James Baker, the US Secretary of State, and his Soviet opposite number, Mr Eduard Shevardnadze. The two leaders can certainly be expected to give added political impulse to this process in Malta.

What is grist to Mr Gorbachev's mill, however, is poison to some of Washington's European allies, particularly Mrs Margaret Thatcher, the British Prime Minister. President Bush has promised that US troops will remain in Europe as long as Nato's European members want them to stay. But he has not said how many. The planned spending cuts recently announced by Mr Richard Cheney, the US Defence Secretary, together with Mr Bush's proposal last May for US-Soviet troop cuts in Europe down to a common level of 275,000, make it certain that the US conventional presence in Europe will be substantially reduced sooner rather than later.

Such a prospect should not be greeted with the dismay that it has obviously provoked in some Nato quarters. Not only is a reduced American troop presence in Europe a natural development of the present climate of exceptional détente, it is also an inevitable precondition of any east-west conventional forces pact. Such an agreement, it should not be forgotten, will provide for much greater reductions of troops and equipment by the Soviet Union and its allies than by Nato.

There is another silver lining to this particular cloud. Nothing will concentrate the European countries' minds so much on forging a European defence identity as a partial American withdrawal from their continent. That may not be the least important result of the superpowers' peaceful winter manoeuvres off Malta.

FINANCIAL TIMES
Tuesday November 28 1989

PERUVIAN ECONOMY

Debt payments resume after four year fight

By Robert Graham in Lima

PERU has agreed to resume payments to the International Monetary Fund, to which it owes $800m, and accept a shadow economic programme aimed at curbing its raging inflation.

The weekend announcement by President Alan Garcia comes after more than four years of implacable opposition to the dictates of international financial orthodoxy.

The President claimed the IMF had finally shown signs of "flexibility" and accepted Peru's special economic and social circumstances. The outline agreement was finalised by Mr Abel Salinas, Peru's special debt negotiator.

The announcement followed a week in which the street rate for the inti against the dollar rose from 9,000 to 13,000 and the Government had been forced to introduce a series of measures to protect the currency. The Government has also been forced to close its frontiers to prevent goods being smuggled in to feed a black market.

Peruvian officials have been close to concluding outline agreement with the IMF on several occasions in the past two years, but President Garcia has consistently rejected such deals.

He has only seven months left in office and the preliminary agreement with the IMF can merely establish, at best, a framework for Peru's future relations with the international financial community.

Peru has accumulated IMF arrears of $800m out of total arrears of more than $6bn. Since taking office in July, 1985, President Garcia has refused to allocate more than 10 per cent of export earnings to service debts. Until last year, the percentage was closer to 20 per cent in practice.

Nevertheless, relations with the IMF have deteriorated steadily since 1986 when President Garcia found Peru faced a negative flow of resources to the Fund. Ultimately, Peru was declared ineligible for new IMF funding.

Under the preliminary agreement, an IMF team will go to Peru to work out a medium-term economic programme, aimed at stimulating economic growth and maintaining real wages. The programme will also take account of the serious problems Peru faces from drug trafficking and the spreading insurgency spearheaded by the Maoist guerrilla grouping Sendero Luminoso (Shining Path).

In return, Peru will pay future IMF obligations when they fall due, beginning with some $44m covering September to December this year. Peru must also find countries which are willing to stand surety for the $800m IMF arrears until it is repaid eventually on concessionary terms.

President Garcia insisted on Thursday that it was the Fund which had come round to his way of thinking. But it is clear that substantial changes in his interventionist and state-dominated economic programme will have to be made if a full agreement is to follow.

An end to Peru's dispute with the IMF is likely to depend heavily on a demonstration of the country's commitment to the agreement. At a time when concern is high among shareholders about arrears to the Fund, that means interest payments from Peru to the IMF to ensure that it falls no further into arrears. The two sides have appeared on the brink of reconciliation in the past but nothing concrete has emerged.

Peru is also $630m behind in payments to the World Bank.

Brittan unveils insurance services plan

By Tim Dickson in Brussels

RADICAL new plans to create a single European market in insurance services were unveiled last night by Sir Leon Brittan, the EC's Commissioner for financial services.

In his first major policy speech on a sector which has remained largely impervious to Brussels' efforts to break down national barriers, Sir Leon said he intended to bring forward a proposal enabling companies to operate throughout member states on the basis of a single insurance licence.

"Companies will be free not only to set up branches in other member states, but also to sell the full range of their products through freedom of services on the basis of a single authorisation and supervision from the country where their head office is located," he said.

Both life and non-life businesses are to be covered by the rules, to be set out in two "framework" directives being prepared by the Commission.

Sir Leon's approach, which essentially follows the strategy pursued in the banking and investment services arenas, will be welcomed by those who feel progress has been bogged down in technical detail and the often fruitless attempts to harmonise different national regulations.

Some regulatory provisions, he said, will be covered by the existing insurance accounts directive - currently the subject of negotiations in the Council of Ministers - but the remaining "building blocks" will be covered in the framework directives.

Discussing ideas for ensuring a prudent investment approach by non-life companies, he said the Commission's approach would be to "establish a small number of simple rules governing permissible assets; their diversification; their valuation; and the matching of the currency of investments against the currency of risks.

"Requirements for the localisation of assets will be abolished."

EC agrees concessions on trade to Eastern Europe

By David Buchan in Brussels

EUROPEAN Community foreign ministers yesterday stepped up their support for political reform in the East by endorsing a 10-year trade and co-operation pact with the Soviet Union and further commercial and financial concessions for Poland and Hungary.

The EC-Soviet trade accord will remove almost all quotas imposed by individual EC nations specifically on Soviet industrial imports by the end of 1995, and is thus very similar to that reached with Hungary last year and before last night's further concessions to Budapest. In return, the EC has insisted that the Soviet market be more transparent and accessible to Community businessmen.

The continuing tempo of events in Eastern Europe has made it certain that the Community's relations with its Eastern neighbours will figure prominently at the December 8-9 EC summit in Strasbourg. Although leaders are likely to go over the same ground as at their special Paris summit 10 days ago, Mr Hans-Dietrich Genscher, the West German Foreign Minister, said yesterday that the time had come to help the Soviet Union beyond yesterday's agreement, which lowers trade barriers and encourages transfer of know-how but gives Moscow no direct financial aid.

Mr Douglas Hurd, the UK Foreign Secretary, said he hoped that Strasbourg would strongly echo Paris by giving "wholehearted encouragement to political reform, avoiding triumphalism, showing the Soviet Union that there was no attempt to exploit matters to the detriment of its legitimate interests, and being clear about what kind of arrangements we have in mind for Eastern Europe". The last-named should be association agreements "flexibly designed" to accord with the degree of a country's progress down the political and economic reform road.

A further twist in the Community's fast-adapting approach to the East was hinted at yesterday when Mr Frans Andriessen, the External Affairs Commissioner, welcomed Prague's opening of a political dialogue.

The immediate impact of the EC-Soviet agreement is more symbolic than commercial. But it provides for exchanges of knowhow in a very wide range of areas, including nuclear energy and science and technology.

Foreign ministers agreed special quota exemptions for Poland and Hungary, of which the commercial importance goes well beyond what those countries have obtained in their formal trade pacts with Brussels. These exemptions will put the Poles and Hungarians a preferential jump ahead of a wide range of competitors – including many Western countries – to whom the quotas on such items as cars, shoes and toys will still apply.

Sterling falls against D-Mark

By Patrick Harverson, Economics Staff, in London

THE POUND fell by nearly 3 pfennigs against a strong D-Mark yesterday, raising fresh fears that the UK Government may have to raise bank base rates again to prevent the currency's slide from adding to inflationary pressures in the economy.

The Bank of England was forced to intervene in the foreign exchange markets early yesterday after sterling had dropped sharply on Far Eastern markets. The Bank bought pounds for Ecus and dollars.

The pressure on sterling on overseas markets has stemmed from growing unease about the British economic and political situation.

Sterling's fall indicated that the firm assurance on Sunday from Mr John Major, the Chancellor, that he was ready to raise interest rates further to bring inflation down, failed to convince financial markets. The currency markets believe that the political risks involved in putting up the cost of borrowing rule out another rise in base rates at the moment.

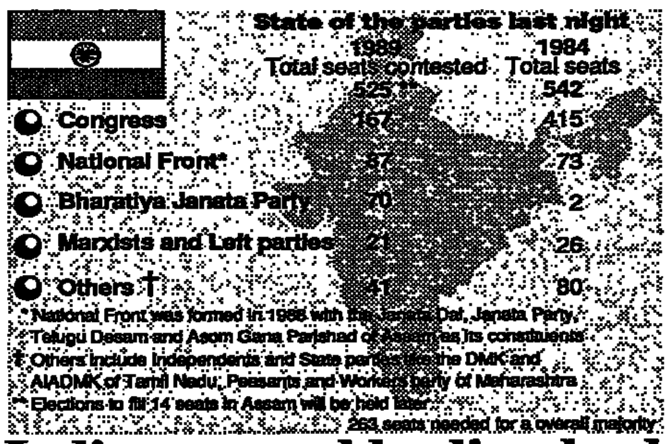
Exports will be boosted as the low pound improves the competitiveness of British goods in Europe, the country's largest market. Also, a large proportion of British industry's raw materials bought from abroad are denominated in dollars, and the steadiness of sterling against the US currency should have helped keep a lid on imported inflationary pressures.

The recent poor performance of the pound on international currency markets has, to a great extent, been the result of an exceptionally strong D-Mark. International investors have been buying the West German currency in anticipation that the Bundesbank will raise interest rates to counteract the inflationary effects of thousands of East German immigrants increasing domestic demand.

The D-Mark has also benefited from expectations that the West German economy will grow faster in coming years because of the injection of East German labour and the expansion of trade with East European markets.

In London, the pound closed 2¾ pfennigs lower at DM 2.79¼. In New York it closed at $1.5580.

Thatcher defends record, Page 16; London stock market, Page 41; Currencies, Page 48



Indian assembly dissolved as Gandhi loses majority

Continued from Page 1

looking for support from the BJP party and the Marxists.

Consultations between the parties gathered momentum as the President announced the dissolution of parliament.

The Congress Party spokesman said there was no question of Mr Gandhi stepping down from the leadership of the party.

A group of about 30 Congress MPs are understood, however, to have met on Monday night to discuss a change of leader. One man mentioned as an alternative to Mr Gandhi is Mr Narasimha Rao, the Minister of External Affairs, and one of the few senior Cabinet members to have retained his seat.

Senior opposition leaders privately hope that Mr Gandhi will retain leadership of the party, as they believe this could precipitate a split, leading to large-scale defections and paving the way for a realignment that would unite part of the Congress with the National Front. Mr Singh is a former Congress member and Mr Gandhi's opponents see the National Front leader as being able to form a more stable long-term administration.

Mr Singh has been reported as saying that he did not want the premiership but this is interpreted by his colleagues as a tactical gesture. In practice his path to the premiership has been eased by the poor performance in the polls of two of his main rivals, Mr N.T. Rama Rao, chairman of the front and head of the Telugu Desam, the regional party from the southern state of Andhra, and Mr Devi Lal, Chief Minister of the northern state of Haryana.

Although a minority National Front administration looks inherently unstable, Front officials argue that, at least in the early stages, the BJP and the Marxists could not afford to undermine it

A bank before lunch

Continued from Page 1

(which he favours).

None of this seems to faze the ubiquitous Mr Herrhausen, who seemed to be enjoying the limelight at Morgan Grenfell yesterday during a flying visit for the announcement, and a hurried lunch. By offering to pay a sum equivalent to roughly a tenth of its own market capitalisation for the UK merchant bank, Deutsche Bank is on the way to fulfilling its ambitions to become a top European bank.

As a primus inter pares, Mr Herrhausen does not hold automatic sway over the rest of the bank's management board. Effecting changes of structure and attitude in an institution as unwieldy as Deutsche Bank is no easy task.

Moreover, some of his own colleagues have been annoyed by his habit of pronouncing on broad issues rather than concentrating on the detailed business of pushing the bank forward into the 1990s. By speaking out on such questions as the power of the banks, however, he has contributed to a debate on which other bankers have been more silent. Nor has he been shy of exercising his influence in the industrial sphere, most notably as head of the supervisory board of Daimler-Benz. With its impending takeover of the Messerschmitt-Bölkow-Blohm defence and aerospace concern, Daimler is effecting one of the Federal Republic's biggest and most controversial takeovers.

Opec output likely to remain high

By Steven Butler in Vienna

OIL PRODUCTION by the Organisation of Petroleum Exporting Countries is likely to continue at high levels – possibly over 23m barrels a day – into the new year under a proposal being negotiated in Vienna last night.

Opec ministers yesterday gave up on attempts to curb output by the United Arab Emirates, which has been grossly violating its Opec production quota.

Under a plan backed by the other Gulf Opec members, the UAE official quota would instead be frozen at 1.09m b/d, compared with current UAE production of about 2.3m b/d. All other Opec members would enjoy a pro-rata increase in production to a new ceiling of 22m b/d, compared with the current ceiling of 20.5m b/d, while Kuwait would be given a further addition, bringing its quota to 1.5m b/d. The ceiling would then be scaled back to 22m b/d by contributions from Indonesia, which is at full capacity, of 100,000 b/d and from Venezuela by 74,000 b/d.

But production is likely to be closer to 23m b/d, compared with about 23.5m b/d now, because the UAE is unlikely to curb output significantly.

The first quarter market demand for Opec crude is widely expected to be about 21.5m b/d, raising the possibility that prices will fall sharply.

However, the proposal was already in difficulties and approval was uncertain.

Venezuela last night was unable to accept the 74,000 b/d cut in its official quota, even though Gulf ministers were saying that the country could produce the oil anyway.

This fudged solution was seen by the Gulf countries as a kind of gift to Venezuela, which had earlier seen a large amount of its light hydrocarbon production reclassified as oil falling under its quota.

Venezuela was willing to contribute barrels to help "pay for" the Kuwait increase provided other Opec members also chipped in. However, Saudi Arabia refused any cut in its 24.46 per cent share of Opec production, and Mr Gholamreza Aghazadeh, the Iranian minister, said yesterday Iran would not reduce its share.

Libya was also proving a big obstacle, with Mr Fawzi Shakshuki, the Libyan minister, demanding an increase in Libya's quota share from 5.6 per cent to 6.3 per cent.

THE LEX COLUMN

The high cost of a City office

The top management of Barclays or NatWest must envy Deutsche Bank. If they had splashed out £950m, or 10 per cent of their stock market capitalisation, on buying a middling London merchant bank at close to 20 times earnings, their shares would almost certainly have plummeted. But Deutsche Bank, which regularly hits its shareholders for rights issues but rarely rewards them with dividend increases, pays a very fancy price for Morgan Grenfell and is cheered for it.

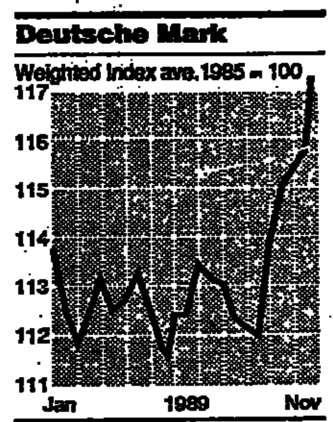
To make matters worse, the intricacies of West German bank accounting mean that the deal will enhance earnings. And despite taking on more than £500m of goodwill, Deutsche Bank is confident that its capital ratios and Triple A rating will not suffer. To be fair, Deutsche Bank is far more highly rated than the UK clearing banks, its cost of capital is lower and it has massive and realisable hidden assets. Nevertheless, one can feel some sympathy for those clearing bankers who complain about level playing fields.

Given that there was no real hope of Morgan Grenfell staying independent, the commercial logic of the link with Deutsche cannot be faulted. Its strength in corporate finance and fund management and Deutsche's unparalleled business connections will be a very powerful combination. On the other hand, very few large commercial banks have made a success of merchant banking; and cross-border investments are even more accident prone. Deutsche's move can only be good news for investors in the rest of London's dwindling band of merchant banks, if not for its own shareholders.

Sterling

Yet again, sterling's fall yesterday was a matter not of its own weakness but of the D-Mark's strength. But in terms of the UK Government's dilemma this may not help much. Sterling's steadiness against the dollar limits the inflationary impact of imported commodities. But manufactured imports – many from the D-Mark zone – work through faster. And while manufacturers such as ICI enjoy the ideal combination of cheap dollar-denominated raw materials and high DM-denominated selling prices, they are scarcely going to get tough on wage claims.

It could well be that the D-Mark is now overbought and sterling oversold. But it would not do to count on it. The fashionable perception is that economic integration with East Germany will speed up the West German growth rate, while higher public spending will increase its budget deficit. Even without that, domestic conditions in West Germany may eventually point to another rise in interest rates. This is doubly awkward for the UK if hot money chasing the DM is coming out of sterling.



The question of UK policy thus becomes more pressing by the day. It may be that the authorities are taking an almighty gamble on the DM-sterling relationship coming back into line. But the market is increasingly convinced that the policy is simply to leave the currency to its own devices: hence the unchanged money market rate yesterday. The old rule of thumb is that a 4 per cent devaluation is equivalent to a point off base rates. Trade-weighted sterling is down 4 per cent already since Mr Lawson resigned; since the last base rate rise it is down 6 per cent. If the gamble does not pay off, rates may have to go up again with a vengeance.

British Aerospace

It may look reasonable enough for the market to have clipped 19p from British Aerospace's shares yesterday, in response to more bad news about a shortfall in payments from Saudi Arabia. But at last night's 499p, the share price is saying that BAe is worth only about the same as in 1986, before the Royal Ordnance and Austin Rover deals. That cannot be right, given the extent to which those two pieces of Government generosity benefitted BAe's balance sheet.

True, the Al-Yamamah order is enormously important to BAe, even though the 100 or so Tornados involved appear to represent only about 11 per cent of its total firm orders for this aircraft. Rough sums suggest that overseas military aircraft and support services accounted for about 47 per cent of BAe's £147m of group trading profits last year, and Saudi Arabia must bulk very large within that. It is also disquieting that concerns about Al-Yamamah are surfacing again as the UK's engineering industry dispute has the potential to disrupt deliveries, even if it has not done so already.

But BAe has a good deal of weight behind it these days. This is not merely a function of the property revaluations which have boosted its net assets to around 820p per share, nor of the £770m of presumably overstated provisions in its balance sheet. It is also worth pointing out that after yesterday's drop in its share price, BAe has gravitated to that select band of FT-SE stocks now yielding more than 6 per cent prospectively.

Airlines

If there are going to be casualties in the airline business, this is the time of the year when they normally surface. Sharply rising fuel and interest costs, plus a slump in demand, have devastating consequences for airlines which are highly geared both financially and operationally. Winter is normally the period of maximum financial strain for any airline. Several US carriers, such as Braniff, have already had to seek help; and the sharp drop in the Pan Am share price over the last couple of months has revived questions about its ability to weather another substantial downturn in its business.

British Island Airways, whose shares were suspended yesterday pending clarification of its financial position, is a tiddler by comparison. Nor is it another Laker, which had expanded far too quickly. But its problems are not unique. Like some others, it is far too dependent on the charter tour market at a time when high interest rates and a low pound have led to a collapse in business.

Equally important, like many smaller airlines it is under-capitalised. The predators no longer seem willing to pay a silly price just for access to an important hub like Gatwick. A year ago a rival, Airlines of Britain, was able to double its capital base by selling a quarter of its equity to SAS on a multiple of 17 times earnings. That sort of deal would be unthinkable in the current climate.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	–	–	–	Dubrovnik	S	11	52	Malta	R	15	59	Rhodes	C	18	64
Algiers	R	17	63	Edinburgh	S	2	36	Manchester	C	3	37	Rio de J'o	F	28	82
Amsterdam	R	9	48	Faro	S	19	66	Manila	F	31	88	Rome	S	11	52
Athens	C	13	55	Florence	S	6	43	Melbourne	S	22	72	Salzburg	F	5	41
Bahrain	S	25	77	Frankfurt	C	3	37	Mexico City	–	–	–	San Francisco	S	8	46
Bangkok	–	–	–	Funchal	S	20	68	Miami	S	21	70	Seoul	C	7	45
Barcelona	F	15	59	Geneva	F	1	34	Milan	Fg	0	32	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	F	18	64	Montreal	S	-13	9	Stockholm	Sn	-1	30
Belfast	Dr	7	45	Glasgow	Fg	-2	28	Moscow	S	-15	5	Strasbourg	S	3	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	45	Munich	C	3	37	Sydney	C	20	68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sn	-14	7	Nairobi	C	22	72	Taipei	C	17	63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24	75	Naples	F	11	52	Tangier	R	19	66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2	36	Nassau	S	30	86	Tel Aviv	S	22	72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6	43	New Delhi	S	21	70	Tenerife	F	23	73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21	70	New York	F	4	39	Tokyo	R	12	54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6	43	Nice	S	13	55	Toronto	S	-5	23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–	Nicosia	S	21	70	Tunis	C	16	61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8	46	Oporto	F	18	64	Valencia	C	13	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22	72	Oslo	S	5	41	Venice	S	5	41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23	73	Paris	S	3	37	Vienna	C	2	36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18	64	Peking	S	3	37	Warsaw	S	-3	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	45	Prague	C	2	36	Washington	S	3	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12	54	Reykjavik	F	3	37	Zurich	S	-1	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6	41								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12	54								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18	64								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19	66								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Norgren dismissed over insider dealing

Continued from Page 1

and the day the $40 a share offer was announced.

The SEC also named Verwaltungs-und Privat-Bank of Liechtenstein, which it alleges executed the trades on behalf of Finacor Anstalt; Guardian Bank and Trust Cayman; and Banque Internationale à Luxembourg.

According to the SEC, Finacor bought the right to buy 170,000 Combustion Engineering shares for $25 a share; it also bought 55,000 common shares. The price of the stock climbed to $39 on November 13, giving the buyers a potential profit of $2.8m.

The contract and the shares were blocked by the SEC before Finacor had exercised its right or sold its shares. No individuals are named in the SEC complaint and there is no allegation of a link between the four companies and Mr Norgren.

Finacor was incorporated in Liechstenstein in 1986. Dr Peter Ritter, director, said from Vaduz yesterday that he knew of no connection between Finacor and Mr Norgren.

Dr Ritter confirmed that Finacor had instructed Verwaltungs-und Privat-Bank, Vaduz, to buy the Combustion Engineering options and shares. But professional secrecy prevented him from saying who placed the order with Finacor.

Neither he nor Mrs Lilliani Riederer, also named as a director in the Liechtenstein commercial register, had had any information about the ABB bid for Combustion Engineering, Dr Ritter said.

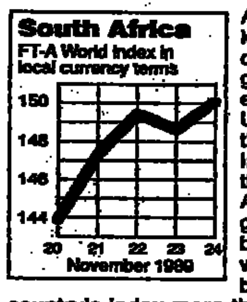
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 28 1989

INSIDE

Exploring the far corners of the globe

Merrill Lynch's launch this week of an Indonesian investment fund is the latest in a series of new country funds riding on a wave of interest in emerging stock markets. Investors who were put off by the stock market crash of 1987 are once again looking to diversify their funds into little-known corners of the world where stock market growth can be phenomenal. Deborah Hargreaves looks at one of the easiest and cheapest ways of investing in markets with limited access to foreign investors. Page 33

Glint in South Africa's eye



Advancing stock markets overcame declining ones last week. Steady gains by leading exchanges, including the US and Japan, helped the FT-Actuaries World Index to rise by more than 1 per cent. South Africa, with a golden glint in its eye, was the best performer of the week. A surge in the bullion price pulled the country's index more than 4 per cent higher. The world's worst performers were Finland, Austria and Sweden. Elsewhere, Malaysia and Singapore rose more than 3 per cent, while Australia fell 1.3 per cent as economic gloom persisted. Page 52

The cost of purer water

British farmers have never been convinced of the need to cut back on applications of natural and chemical fertiliser in order to reduce nitrate pollution in the country's water supply. And, writes David Richardson in his Farmer's Viewpoint, recent revelations of levels of compensation proposed for a voluntary reduction scheme have done little to win them over to the idea. Page 40

Obstacles on the road

Lancia is about to become the first European vehicle-maker to offer what is claimed to be the most stress-free simple-to-operate transmission system available. The electronically controlled continuously variable car transmission will be fitted to about 25 per cent of the Y10 small hatchbacks sold in Europe's capital cities. Although Lancia is confident that the concept will eventually supplant all other forms of transmission, considerable obstacles need to be overcome before it can be applied to big cars. Page 38

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
Elect Siemens	610.3	+ 13
Falls		
BASF	270.2	− 1.8
Chemical Bayer	291.2	− 23
Diamler-Benz	650	− 5
Deutche Bank	636	− 50
Hoechst	292.5	− 40
NEW YORK ($)		
Rises		
Cray Research	34 1/8	+ 1 3/8
Perkin-Elmer	23 1/8	+ 3/4
Falls		
Blockbuster Ent	18 5/8	− 1
Homestake Mng	19	− 3/8
Newmont Gold	50 3/8	− 1 1/8
Vivigen	26	− 1 3/8
PARIS (FFr)		
Rises		
B.I.P.	880	+ 83.2
Epeda Bertrand	1374	+ 78.2
Esso Franc	506	+ 39.9
Falls		
CGI-Inform	1690	− 67.2
Fichet-Bauche	1125	− 35.8
Metaleurop	262	− 10.2
TOKYO (Yen)		
Rises		
Calpis Fd Inds	1620	+ 140
Chiyoda Shigyo	1070	+ 90
Kawasho	1310	+ 100
Miyaji Const	1600	+ 130
Miyazaki Bk	1170	+ 110
Falls		
Kagome	1730	− 120

New York prices at 12.30pm.

LONDON (Pence)		
Rises		
Hambros	234	+ 14
Higgs & Hill	421	+ 17
Hogg Rob & Gard	165	+ 7
Kl'nwort Benson	374	+ 16
Leg & General	379	+ 7
Midland	345	+ 7
Monotype	158	+ 3
Morgan Grenfell	536	+ 60
Sedgwick	287	+ 6
Stand Chart	560	+ 7
Sun Life	1235	+ 22
Unilever	671	+ 2
Falls		
BAT Inds	780	− 6
BPB	215	− 5
Brit Aerospace	499	− 19
Coats Viyella	136	− 4
Land Sec	493xd	− 1/2
RHM	410xd	− 3
Williams	232 1/2	− 2 1/2

Court backs Sea Containers

By Andrew Hill in London

SEA CONTAINERS, which is fighting a $1.02bn hostile bid, has defeated a crucial legal challenge to its defence plans, after more than five months of wrangling in the Bermuda Supreme Court.

The favourable decision should allow Sea Containers to proceed with a defensive tender offer for its own shares. But the predators – Tiphook, the UK container rental company, and Stena, a private Swedish ferry operator – may appeal against the ruling.

They may also ask for a full trial of the evidence in the case, which has so far been concerned only with the preliminary legal issues. The predators' advisers were last night examining the judgment.

Sir James Astwood, Bermuda's chief justice, ruled yesterday that the purchase of Sea Containers' shares by its own subsidiaries was lawful. He also ruled that an earlier bid defence – Sea Containers' so-called "poison pill" shareholder rights plan – was legal.

Mr James Sherwood, Sea Containers' president, has been waiting for the outcome of the legal struggle to set a date for the Bermuda-registered company's long-awaited annual meeting at which shareholders will vote on the group's defence plans. Sea Containers, which owns Sealink British Ferries, is thought to be planning a meeting for the end of January.

Representatives of New York arbitrageurs, who at one stage held as much as 15 per cent of Sea Containers' shares, were in court to hear the decision, but the shares seemed unmoved in New York immediately after the ruling.

They were trading almost unchanged at just over the Anglo-Swedish bid price of $63.

It is thought that Tiphook and Stena will today try to persuade the judge to extend an injunction preventing Sea Containers from pursuing its defensive strategy by dealing in its own shares. The original injunction, which would have thwarted the Sea Containers defence, has expired.

The ferry and container company is putting together a $1.1bn programme of asset disposals which will fund a $70-a-share tender offer for about half the group's shares, topping the Tiphook/Stena bid.

Sea Containers has already lined up Genstar Containers Corporation to buy its fleet of standard dry cargo containers and chassis for nearly $400m.

Buyers for other assets – including the Sealink Isle of Wight ferry service, facilities at two UK ports and most of Sea Containers' leisure interests – will be announced in the coming weeks.

Since the Anglo-Swedish predators launched their hostile bid in May, several teams of lawyers have been kept busy in Bermuda, New York, where the target's shares are quoted, and London, where Sea Containers has its headquarters.

Last week, Tiphook and Stena extended their hostile bid in New York to December 11.

Daiwa Securities accused of hiding trading losses

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance yesterday questioned officials of Daiwa Securities, the country's second largest stockbroker, over allegations that it secretly compensated favoured customers for stock trading losses totalling over Y10bn ($69m).

Daiwa admitted covering Y10.3bn in trading losses incurred in 1975-80 by 20 to 30 corporate clients. It also admitted subsequently hiding the losses through an elaborate scheme involving the sale of shares in an unlisted subsidiary.

But Daiwa denied it had concealed the loss in order to window-dress its accounts. It also said it had not promised clients in advance that it would cover their losses – such guarantees are specifically banned under Article 50 of the Japanese Securities and Exchange Law.

Mr Yuzuru Ishida, vice president, and other senior Daiwa officials denied, at a hastily-arranged press conference, that the company had done anything seriously wrong. Their aim was to rebut allegations contained in a report carried yesterday morning in Mainichi Shimbun, a leading Japanese daily newspaper. But their account of events was broadly the same.

Daiwa said that some 10 executives, including board members, who had been implicated in the transactions had been penalised and had since left the company. The company declined to name any of the people involved.

The most common reaction among foreign brokers in the Tokyo stock market was to say that, even though the allegations concerned events which took place several years ago, similar transactions probably still occurred. A finance ministry official was quoted in a Japanese newspaper as saying there were often rumours in the market about such dealings – now there was firm evidence.

The finance ministry's enquiries into the affair will centre on whether there was any infringement of the Securities and Exchange Law under either article 50 or article 24, which requires companies not to omit important information from financial statements.

The ministry is certain to ask Daiwa officials why the losses made on the compensation payments were treated in a particularly complex way. Daiwa confirmed yesterday that its clients losses were transferred to Sankyo Engineering, a securities sales company.

In 1984 it sold 375,000 shares in its unlisted building management company to Sankyo and allowed the company to sell the stock at an Y11bn profit to financial institutions to cover the Y10.3bn trading losses. Sankyo also retained the surplus profit as payment for its work.

A Daiwa official said the whole affair stemmed from the mistakes of an over-zealous salesman who "wanted to show his value to good clients."

Daiwa shares fell Y70 on the news yesterday morning but later recovered to close Y20 higher at Y2570.

Two ex-ISC directors quit Ferranti

By Hugo Dixon in London

THE Ferranti International Signal affair claimed its latest victims yesterday when it emerged that Sir David Checketts and Mr Joseph Zilligen, both former main board directors of International Signal & Control Group, had resigned.

Sir David, a former private secretary to Prince Charles, was managing director of ISC Technologies Ltd until earlier this year. ISC Technologies has been identified by Ferranti as the company at the heart of a complex £215m ($335.5m) arms fraud.

Mr Zilligen was finance director of ISC Group, which Ferranti acquired for £420m in September 1987. Ferranti now says that ISC Group's assets and profits were substantially inflated by a serious fraud which had been running for some years before the merger.

Both Sir David and Mr Zilligen, who resigned from Ferranti last week, denied any knowledge of the alleged fraud. But it seems clear that their close connection with companies at the centre of the alleged fraud put them in an embarrassing position.

Sir David, who is a retired squadron leader, joined ISC Group in 1979. His main function was to act as an international marketeer, with special responsibility for West Africa. One of the phantom contracts, which Ferranti has blamed for the fraud, was with Nigeria.

Following the merger with Ferranti, Sir David ceased to be a main board director. However, he continued as managing director of ISC Technologies until earlier this year, when the subsidiary's activities were effectively closed down, and has since been working for Ferranti International Dynamics.

Sir David said his resignation was "not directly" connected to the alleged fraud. "There was really nothing for me to do at Ferranti. My role no longer existed."

Mr Zilligen joined ISC in 1980 as chief financial officer. He became a Ferranti director at the time of the merger and, when Mr James Guerin, ISC's founder, resigned as Ferranti's deputy chairman in May, Mr Zilligen took over his job as chairman of Ferranti in the US. He gave up these responsibilities on October 12.

"I was not aware of any fraud," Mr Zilligen said yesterday from his home in Lancaster, Pennsylvania. "If I had, I would certainly have had to take some action. I certainly wouldn't have ignored something like that."

Mr Zilligen's service contract with Ferranti, under which he was being paid $160,200 a year, still has 10 months to run. It is not known whether he will continue to draw a salary on the basis of this contract.

Two former ISC directors, Mr Nathan Blackwell and Mr John Heywood, are still on Ferranti's board. Mr Blackwell is Ferranti's international marketing director. Mr Heywood is a non-executive director and was until recently a member of the group's audit committee.

Ashley Ashwood

It was the preferred transport during Mrs Thatcher's last two election campaigns, but now BIA is in difficulties

British Island Airways shares are suspended

By Paul Betts in London

"MAGGIE'S favourite airline" has run into financial difficulties. British Island Airways (BIA), the charter company quoted on the Unlisted Securities Market, asked yesterday for the temporary suspension of trading in its shares "pending clarification of the company's financial position."

The airline, used by Mrs Thatcher to fly around the country in the last two general election campaigns, has been hit hard by rising UK interest rates and a slump in the holiday charter market.

The company's shares were suspended at 30p. This was down from Friday's closing price of 54p and compares with a 1989 high of 142p.

City analysts believe the company's future is now in doubt. But BIA says it is still looking for a strong partner to inject fresh capital into the airline. The company's failure so far to secure the financial backing of a new partner appears to have prompted yesterday's decision to suspend share dealings.

The airline recently reported sharply higher losses of £4.9m for the first half of this year. Last year it incurred a loss of £2.9m ($4.5m) compared with a pre-tax profit of £1.99m in 1987.

BIA specialises in leasing out aircraft to holiday tour companies, as well as operating some schedule services from the UK to Malta and Sicily.

It recently sold two of its eight BAe 1-11 jets for a total of $4m. Its fleet now comprises 10 aircraft including four McDonnell Douglas MD-83 jets under lease and the six remaining BAe 1-11s.

The company employs 386 people based at Gatwick, where it owns a freehold property and holds landing and take-off slots.

Formed seven years ago in a management buy-out led by Mr Villa, the company's chairman, BIA was in takeover talks with Mr Harry Goodman's International Leisure Group (ILG) earlier this year. The discussions foundered, however, because ILG felt Mr Villa was asking too much for the company.

ILG, which includes Air Europe and Intasun, is now also believed to be feeling the pinch from a fall off in business in the holiday charter market.

BIA, however, was widely regarded within the industry as one of the smaller UK second tier airlines most vulnerable to a downturn in the package holiday market.

Lex, Page 26

Japanese in talks with US chip etching specialist

By Louise Kehoe in San Francisco

PERKIN-ELMER, the leading US manufacturer of advanced lithography equipment for semiconductor chip production, is in talks with Japanese companies about the possible sale of its semiconductor manufacturing equipment division, according to US semiconductor industry executives opposed to the sale.

Perkin-Elmer is said to have approached several US companies seeking bids for its semiconductor equipment operations. To date, however, no acceptable bids have been raised.

Nikon, Canon and Matsushita, all of Japan, are reported to have entered into discussions with Perkin-Elmer in recent weeks. Nikon, itself a leader in lithography equipment, is seen as the leading bidder.

Expressing concerns about the loss of US control over a critical sector of semiconductor production technology, semiconductor industry officials have mounted a lobbying campaign in Washington.

The move is aimed at persuading the Bush Administration to scuttle any deal that would place majority ownership of Perkin-Elmer's lithography equipment operation in foreign hands.

"I hope that we can alert the Government to the dangers of losing Perkin-Elmer to foreign interests," said Dr Robert Noyce, president of Sematech, the US semiconductor industry research consortium.

"We are in real danger of losing our infrastructure which, in my opinion, portends grave consequences for the semiconductor industry and the myriad of industries that rely on semiconductors," warned Dr Noyce.

Perkin-Elmer's share of the semiconductor production equipment market has declined sharply over the past two years and the business has been barely profitable. Fiscal 1988 sales totalled $199.6m, with operating profits of $3.2m, the company said.

International Business Machines, which has been involved in a joint effort with Perkin-Elmer to develop a new generation of lithography equipment for use in its US memory chip manufacturing operations, has also expressed concerns. IBM executives said they hoped that Perkin-Elmer would remain a source of semiconductor equipment in the US.

Perkin-Elmer declined to comment on any details of its divestiture plans except to say they were proceeding on schedule and were expected to be completed by the end of the year.

The company announced in April that it planned to restructure its business and to sell off its semiconductor production equipment operations.

Paribas lifts Navigation Mixte bid

By George Graham in Paris

PARIBAS, the French investment banking group, yesterday triggered a 2 per cent rise in its offer for Compagnie de Navigation Mixte, the food to financial services conglomerate, by moving into the market to buy shares above its previous bid price. The new bid values Navigation Mixte at FFr26.1bn ($4.16bn).

Paribas said its decision to raise the offer was a gesture to some speculators who had bought shares slightly above the initial offer price of FFr1,850 a share, in anticipation of a higher bid, but was also designed to show up the "manipulation of the market" by Navigation Mixte's defenders.

Mr François Morin, managing director of Paribas, said that the market had been distorted by "a sort of covert price support mechanism, a manoeuvre to trick the market", which had kept Navigation Mixte's shares trading systematically FFr1 higher than Paribas's offer.

When Paribas went into the market yesterday, triggering an increase in its offer to FFr1,887 a share, the Navigation Mixte share price instantly rose to FFr1,888, before the authorities suspended trading in the shares.

The French stock exchange council has been examining closely dealings in Navigation Mixte since Paribas launched its offer, paying particular attention to purchases by four shareholders represented on the company's board – Crédit Lyonnais, Société Générale, Framatome and Allianz – and by Bouygues, the construction group, which has taken its stake above 4 per cent.

The council yesterday published statements from all five denying they were acting in concert. Stock market authorities said there was no proof of concert party action or manipulation of the market.

Paribas's decision to raise its offer price makes use of a new clause in the French takeover code introduced in September. The takeover rules normally specify that there may be no change in the terms of a bid nor counter-bid later than 10 trading days before the offer closes. If the bidder buys shares above its bid price, however, the offer is automatically lifted by 2 per cent.

The stock market said that trading in Navigation Mixte would resume today, and that the closing date for the offer would be extended to Thursday.

INTERNATIONAL COMPANIES AND FINANCE

Computer houses add their pluses

The proposed acquisition by Dun & Bradstreet of Management Science America (MSA), once the *world's leading independent* computer software house, is a clear indication that no sector of the computer industry is immune from increased competition and the effects of rapidly *changing technology.*

It is also evidence that Dun & Bradstreet, the world's largest marketer of business information, is serious about the computing services business. It already owns McCormack & Dodge, a Massachusetts-based software enterprise it bought in 1983. MSA, based in Atlanta, Georgia, and McCormack & Dodge have been fierce rivals for more than 20 years.

A decade ago they were the cream of the software business. However, the emergence of the personal computer and the consequential high demand for quality PC software has seen their sales overtaken by those of microsoftware houses such as Microsoft, Lotus Development Corporation and today's high flyer, Oracle Corporation, a database specialist with, it seems, the right product at the right time.

Now, assuming the US anti-trust authorities approve the purchase of MSA by Dun & Bradstreet, MSA and McCormack & Dodge will have to learn to work together from next year as Dun & Bradstreet Software Services – a company with combined revenues in excess of $440m, more than 4,000 staff and 130,000 customers worldwide.

Mr John Imlay, chairman and chief executive officer of MSA, will become chairman and principal executive officer of the new company; Mr Frank Dodge, president of McCormack & Dodge, will be vice chairman.

Dun & Bradstreet is offering about $333m in cash for the 18m outstanding MSA shares,

John Imlay: genial showman, larger-than-life MSA chairman

valuing each share at about $18.50. MSA is recovering from two years of losses and its share price has been hovering at around $10.

Mr Imlay says that, when the deal was announced, he had 350 telephone calls from shareholders offering congratulations, enough to swamp the company switchboard.

MSA and McCormack & Dodge are leading suppliers of business applications software – *chiefly* accounting programs such as payroll and accounts receivable – that run on corporate mainframe computers and departmental minicomputers.

They cater mostly for customers using IBM and Digital Equipment computers. Both companies provide "packages," generalised software which can be used without special tailoring for the particular company's accounting, for example.

Packages cost only a fraction of fully tailored software, but customers have to be prepared to bend their business practices to suit the package. The financial benefits are generally sufficient to make this worthwhile.

Alan Cane sees how two former rival software companies will fare, once they are merged under Dun & Bradstreet's new ownership

Mainframe software, however, has become a mature, slow-growth business, so companies such as MSA and McCormack and Dodge are either having to diversify into new areas or see slower revenue growth.

MSA has suffered from the failure of an ill-judged venture into PC software and from heavy pressure on margins. In 1987 it lost $71m, and in 1988 $33.6m.

It rejected a takeover bid last year from Computer Associates, the largest independent software company. Rationalisation has begun to pull the company round, and Mr Imlay expects $17m in pre-tax profits on sales of about $363m this year.

In contrast, McCormack & Dodge has managed to stay consistently profitable. Mr Dodge said this week that he expected the company to make about $26m in pre-tax profits on sales of $165m.

He said he had no magic formula for success, apart from a basic wish to solve his customers' business problems.

The differences between the two companies and their chief executives raise questions about their ability to work together.

Mr Dodge, a warm, laconic former mathematics teacher with a passion for physical fitness, runs a company noted for its relaxed style and easy-going ways. Mr Imlay, on the other hand, is a showman – a genial, larger-than-life figure. MSA has a professional image that is almost IBM-like in its intensity (IBM took a 5 per cent share in the company this year).

But this week Mr Imlay and Mr Dodge, who have known each other for only two years, said they would be able to work together; the similarities between the two companies were greater than their differences.

Both faced similar business challenges, they said. They were having to cope with new competition from unexpected quarters, including accounting consultancy firms such as Arthur Andersen, the regional Bell companies in the US and companies such as Computer Associates which had previously confined themselves to systems software.

There was also the huge expense of researching and developing a new generation of software. MSA, for example, claims to spend 20 per cent of worldwide revenues on research and development.

Both companies are reworking their product lines to allow them to operate on new software IBM is developing. This is designed to create a "common look and feel" for all IBM's computer families.

For the moment, both product lines will be maintained. The intention is to develop a single line of business applications software based on shared research and development: "Our customers will be the chief beneficiaries of this merger," says Mr Imlay.

Demand for Dram chips poised to fall in 1990

By Paul Abrahams

GROWTH in demand for semiconductors in Europe looks set to slow in 1990.

Dataquest, the London market research company, and Barclays de Zoete Wedd, the international bank, have revised their forecast for the growth of the 1 Megabyte Dram (dynamic random access memory) chip market from 7 per cent to 4 per cent.

Dataquest says the slowdown is the result of overstocking of 1Mb Dram chips, particularly in the data-processing industry, where inventory levels are more than double normal targets.

"The situation is a complete turnaround from last year," says Mr Bipin Parmar, an associate director at Dataquest and author of the forecast.

"In 1988, there was a huge shortage of Drams created by yield problems and the agreement between the US and Japan to prevent dumping, which forced Japanese manufacturers to reduce their production."

There are now as many as 10 large-scale manufacturers of Dram chips, explains Mr Parmar. Korean companies particularly have targeted the market, which is now flooded.

During the shortage, spot-market prices for Dram chips reached $32 – in sharp contrast to the price now of $9.30.

An upturn is not expected until the last quarter of 1990 or the first quarter of 1991.

The fall in the price of Drams should be good news for computer manufacturers that have managed to keep their stock of chips under control. For example, Amstrad, the UK computer company, is understood to be in this *position.*

However, analysts say that some companies, such as Apple Computer, Nixdorf and Olivetti, still have stocks of chips bought last year when prices were high. They are now faced with competition from companies with better margins or with products at lower prices.

Noranda threatens Aur with injunction over mine

By Robert Gibbens in Montreal

A DISPUTE over development of a valuable copper-zinc-gold-silver property in north-western Quebec could end up in court.

At stake is the Louvicourt Township property, which is jointly owned by Aur Resources, an exploration and development company controlled by geologist Mr James Gill, and Louvem Mines, another exploration group.

The property, located in Quebec's best-known mining area, is a future producing mine, and could be worth at least C$500m (US$428.3m) in potential production.

First, Aur claimed Louvem's interest in the property was diluted to 25 per cent from 50 per cent because Louvem did not maintain its share of exploration costs.

Aur maintained it should be operator and proceed with underground exploration.

Louvem denies that it failed to pay its exploration costs and claims that it should be operator for future programmes.

Last summer the big guns of Canadian mining moved in.

Noranda, Canada's largest resource group, took a 17 per cent interest in Louvem, holds options on more stock and wants to take over operation of the project.

Noranda has spent nearly C$300m modernising its Horne smelter in the same area and desperately needs feedstock for it.

Teck Corporation Vancouver and associate Cominco, owns 21 per cent of Aur. Teck's controlling group includes Metallgesellschaft of Germany and MIM Holdings of Australia.

Noranda now says it will seek an injunction to stop Aur moving ahead with underground work unless a joint operating agreement can be worked out. It claims Louvem should be operator underground.

This could be a preliminary to deciding the ownership issue in court or designed to bring about a joint venture to bring the mine to production as soon as possible.

Carlsberg sees profit fall as competition intensifies

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish beverages group, yesterday forecast a short-term decline in profits as a result of the investments and other adjustments needed to face intensifying international competition.

In the longer term, however, the group said earnings would be maintained at the present level.

Pre-tax profits in the year ending September were up by 14 per cent to DKr1.05bn ($22m) and net profits by 17 per cent to DKr632m. Net sales rose 2 per cent to DKr10.21bn, but adjusted for divestments the increase in sales was 6 per cent, said the preliminary statement.

The board proposed a one-for-five subscription issue, raising share capital by DKr195m to DKr1.17bn, and an unchanged 15 per cent dividend.

A substantial increase in productivity in the Danish breweries, brought about by introducing new plant and a reduction in the labour force, contributed to the earnings improvement.

Redundancies in Denmark reduced the labour force by 700 last year, while the total group employment fell by 1,000 to 12,585.

Most of the breweries outside Denmark also reported improved results, but the Union Cervecera Brewery in Spain and the Hannen Brauerei in Germany continued to show unsatisfactory results, although losses were reduced.

Some 70 per cent of the group's beer is sold outside Denmark.

Good results for Central Capital

CENTRAL CAPITAL *Corporation, one of Canada's fastest-growing* financial services groups, had a strong third quarter and is taking steps to reduce its C$2bn (US$1.72bn) debt load, writes Robert Gibbens.

Third-quarter earnings were up 68 per cent to C$20.4m or 27 cents a share on revenues of C$589m, up 33 per cent.

Corporate assets reached C$17.1bn at September 30, up 19 per cent. Central has sold some non-financial assets.

October market fall hits Canada's securities firms

By Robert Gibbens

THE OCTOBER 13 *"mini-crash" in North American* stock markets is having a swift impact on the Canadian securities industry.

Many leading investment firms are preparing staff cuts as part of pre-Christmas austerity.

The steep market fall scared away retail investors just as they were carefully returning to stock markets following the October 1987 crash.

RBC Dominion Securities, the country's largest brokerage firm with international offices, is expected to lay off about 100 staff this week, equivalent to a pay roll cut of 4 per cent.

And several senior managers, including two directors, *have left the company in the* past week.

RBC Dominion has also reduced salaries and removed perks such as car allowances.

The most conspicuous departure is that of vice president Fred Wright.

He was president and chief executive officer of Pemberton Securities, Vancouver, the company acquired by RBC Dominion this year.

RBC Dominion have annual revenues of more than C$400m and was profitable in the year ended September 13.

It absorbed 800 employees when it bought Pemberton.

Bahrain to seek $560m loan for Alba expansion

By Hunter Reynolds in Dubai

BAHRAIN is expected to invite bids this week from international banks for a $560m loan to finance a major expansion of Aluminium Bahrain (Alba), according to local bankers. An invitation to bid is expected before the end of the week.

It is not clear which entity will be issuing the offer. Bahrain bankers say it may come directly from Alba, but is more likely to come from the Bahrain government's Ministry of Finance. Such a move would effectively give the loan sovereign status.

Alba plans to double its output of aluminium from 205,000 to 400,000 tons a year, making it the biggest smelter in the non-communist world. The $560m loan will cover 10 years.

Meanwhile, Qatar's General Petroleum Corp $400m syndicated Euroloan will be signed on December 11, local bankers confirm.

Scott Paper plans new mill

By Maggie Urry

SCOTT Paper, the US-based paper company which is the world's largest producer of sanitary tissue, is to expand its US tissue capacity.

Part of the programme will involve choosing a new site to build a paper mill.

The group has been forced to import base paper for its US operations at high cost to meet increasing demand during 1988 and 1989.

Over the past four years the US tissue market, combining consumer and commercial use, has been growing at 2-2½ per cent a year.

Scott's sales have expanded at twice that rate.

Mr Philip Lippincott, Scott's chairman and chief executive, said: "We do not presently *have the capacity to meet our* current demand and sustain that rate of growth."

Bayer raises profits only 0.1 per cent to DM1.09bn

By David Marsh in Leverkusen

BAYER, one of the big three West German chemical groups, registered stagnated pre-tax profits in the third quarter, up only 0.1 per cent to DM1.09bn ($600m) compared with the elevated figure for the third quarter last year.

Mr Hermann-Josef Strenger, chairman, said yesterday that results next year would remain on "the high plateau" of 1989, when pre-tax group profits are expected to total around DM4.1bn.

Third-quarter group turnover rose 4.4 per cent to DM10.3bn, of which 2.5 per cent was accounted for by domestic companies and 5.7 per cent by foreign subsidiaries.

Pre-tax group profits for the first nine months rose to DM3.81bn, an increase of 12.2 per cent over the same period last year. This compares with a 22.8 per cent profit rise at the nine-month stage in 1988.

Nine-month turnover rose 9.4 per cent to DM32.95bn, against 7 per cent in the first nine months of 1988. Mr Strenger said he expected turnover growth of between 3 and 5 per cent next year.

He placed the present stagnation of profits in the context of the 28 per cent increase in third-quarter profits registered by Bayer in 1988 compared with 1987. However, he admitted: "We will have to reckon with a flattening of growth rates in 1990."

Although he saw the world chemical industry remaining in strong shape after seven buoyant years, he said, "Tomorrow, or the day after tomorrow, the wind will blow more strongly in our face." Bayer's last experience of a quarterly drop in profits was in 1982.

He said the DM12 dividend for 1988 would at least be maintained for the current year.

Mr Strenger hit out at the West German Government's health reform proposals, which were placing extra burdens on the pharmaceutical industry and were costing Bayer DM40m in 1989. Next year's domestic pharmaceutical activities would probably just break even, he said, which would have a negative effect on motivation and investments.

Asked about the possibility of doing business in East Germany, Mr Strenger said Bayer was looking at potential co-operation along the lines of joint ventures or even acquisitions. However, he stressed that the new East German leadership would have to provide the right conditions to attract companies back to the East.

Chevron in $1bn share buy-back

By Anatole Kaletsky in New York

CHEVRON, the fourth-largest US oil company, yesterday announced a $1bn share buy-back, to be financed through the creation of an employee stock ownership plan (Esop). The Esop will be funded with $1bn of bank borrowings.

Chevron is likely to be the first in a long series of companies to announce Esops in the near future, following a decision by Congress last week not to eliminate the tax-privileged status of these plans.

Prior to the possibility of Congressional action against them, leveraged Esops had become one of the most successful and popular devices used by large US companies to avert takeover threats.

Chevron's management has been under pressure for months from Wall Street analysts, who complained that the company's stock price did not adequately reflect the value of its huge asset base.

Some analysts argued that a sweeping financial restructuring, involving the acceptance of far higher debt levels, would be required to prevent a leveraged takeover and possible break-up of the group.

Chevron's shares were suspended before the buy-back announcement, but they had risen by $2 to $67 in active morning trading as speculation of a restructuring or possible bid intensified. The shares fell back to $65¾ when trading was resumed, as arbitrageurs concluded that the Esop plan diminished the chances of a takeover bid.

Among the companies most often mentioned as a possible bidder for Chevron was Pennzoil, the small Oklahoma-based energy group which is sitting on a cash mountain of around $3bn after winning a huge breach-of-contract settlement from Texaco two years ago.

Initial reaction to the Chevron announcement by arbitrageurs on Wall Street was unenthusiastic. They noted that the small scale of the buy-back would do little to boost the company's share price and added that the new Esop seemed designed to entrench management, rather than benefit outside shareholders. The company's employees already control 11 per cent of its stock through a profit-sharing savings plan.

With the addition of the new Esop, employee holdings will rise to 16 per cent, potentially creating an insuperable barrier to any hostile takeover move.

Chevron is incorporated in the state of Delaware, whose anti-takeover code requires a hostile bidder to win the support of 85 per cent of shareholders "independent" of management before completing a merger.

A number of recent court decisions have upheld the "independence" of employee stock ownership trusts and this has meant that management could greatly increase its chances of repelling a takeover provided it could win the support of a company's employees.

Until a few days ago, this type of takeover defence appeared to be in jeopardy because of a move in Congress to eliminate the tax advantages of Esops holding less than 30 per cent of a company's stock. This idea was abandoned last week, when Congress passed its 1989 Budget Act. Chevron referred specifically to the passage of the Budget Act as the reason for making its Esop announcement yesterday.

NEWS IN BRIEF

Mannesmann poised to take over tank-maker

THE STATE of Bavaria said yesterday it had decided to sell its 35.45 per cent interest in Krauss-Maffei to Mannesmann, paving the way for the West German engineering group to take over the Munich-based tank-maker, agencies report.

However, Mannesmann said details of the transaction still had to be worked out before an agreement could be signed. Mannesmann also confirmed it was close to agreement with other leading shareholders of Krauss-Maffei to secure majority control of the group.

Deutsche Bank and Dresdner Bank, each holding stakes of 10 per cent, were also ready to sell to Mannesmann, the engineering company said. Details of the deal had still to be worked out. Messerschmitt-Bölkow-Blohm's 12.5 per cent stake in Krauss-Maffei will be sold to Diehl.

■ MOBILIA, a Swedish holding company, said it now owned 2.8m A shares in Aga, the Swedish industrial gas company, representing 6 per cent of Aga's share capital and 10 per cent of its voting rights.

Mobilia did not say when it bought the Aga shares and it was not listed among the gas company's top five shareholders in the latest annual bourse list. This showed Mobilia owning 0.2 per cent of Aga shares and 0.4 per cent of its votes.

Mr Gerhard Lindholm, Mobilia managing director, made the announcement in a letter to the Stockholm Stock Exchange to comply with its disclosure requirements.

■ BANCA DELLA Svizzera Italiana has acquired a 20 per cent stake in Italy's Cassa Lombarda, a bank that operates mainly in commercial and industrial lending.

BSI, based in the Italian-speaking southern part of Switzerland, said the acquisition "lays the groundwork for progressive expansion into the Italian market," especially ahead of the 1992 single European market.

BSI said the link would give it an association with COFI SA, the vehicle for Cassa Lombarda's shareholders.

Kenya to build $198m skyscraper

By Julian Ozanne in Nairobi

THE KENYAN Government has asked Parliament to guarantee local and foreign loans worth KS4.3bn ($198.3m) to erect Africa's tallest skyscraper, despite opposition from leading environmentalists.

The controversial 60-storey communications centre will be built in Nairobi's downtown Uhuru Park and will house the Kenya Times Media Trust, a private company owned jointly by Kanu, the ruling party, and British publisher Mr Robert Maxwell.

Standard Chartered Merchant Bank UK will lead a consortium of British and Italian commercial banks and the US Exim Bank for the provision of offshore credit worth KS3.4bn. The balance will be met through local borrowing.

According to the Government's sessional paper No 8 of 1989, tabled in Parliament last week, the building will be wholly owned by Kanu and will have a 60-storey tower, two 10-storey blocks, shopping malls, auditoriums and three satellite broadcast dishes.

It will be graced by a 30ft statue of President Daniel arap Moi, have conference facilities for 6,000 people and office accommodation and space for the Kenya Times Group of Newspapers.

The high-tech communications building will also be used for the expansion of the Kenya Times Media Trust into publishing, broadcasting and the takeover of the Kenya news agency now owned by the Ministry of Information. Kanu has already announced plans for a second commercial television station which will broadcast news reports and feature films 24 hours a day.

Little is known about which European banks will be involved in financing the building. But according to sessional paper, the loans will carry an interest of 8.3 per cent and will be repaid within 12 years, including a two-year moratorium.

President Daniel arap Moi: 30ft statue planned

The Government will have to guarantee the loan and in return it will charge the Kenya Media Trust a guarantee fee of 1 per cent on the amount of the capitalised principal payable.

Parliament's approval of the guarantee will raise contingent liabilities of the Government in respect of the Guarantee (loans) Act to more than KS20bn.

Kenya's Green Belt Movement has filed an application in the High Court seeking to bar construction of the centre in Uhuru Park on the grounds that it contravenes planning regulations. A three-page plaint says: "It is not in the public interest, contravenes the law, will be an environmental degradation and is unpermissible in law in any event."

However, President Moi has said the building will go ahead in spite of protests by environmentalists.

Spain warned on fuel monopoly

By Peter Bruce in Madrid

SIR LEON Brittan, the European Commission's competition commissioner, has sharply attacked the Spanish Government, and, implicitly, the Repsol oil group, for failing to keep promises to liberalise the country's tightly-controlled fuels market. He warned that the EC may re-open suspended legal proceedings if rapid progress is not made.

The comments, contained in a letter from Sir Leon to Mr Claudio Aranzadi, the Spanish industry minister, centre on Campsa, the monopoly distributor of fuel in Spain and, by association, Campsa's majority shareholder, Repsol, the recently part-privatised oil conglomerate.

Sir Leon accuses Spain of failing to open its markets in heating oils and bulk liquefied petroleum gas to foreign competitors and of failing to ensure that foreign companies are given priority in the licensing of new service stations.

On joining the EC in 1986, Madrid agreed to halve the permitted distance between service stations along the country's roads and to give priority to independent – generally, in the Commission's view, foreign – companies wanting to establish new stations.

But, the letter notes, only 15 of the 150 new station sites provisionally awarded so far have gone to independents. "Furthermore," the letter says, "Campsa would be the owner of the immense majority of the 61 licences granted by September 15, 1989 [even] according to the old distance rules."

Campsa is owned by Spain's four refiners, according to their refining capacity, which means Repsol owns nearly 70 per cent of the group.

Both Repsol and its Basque subsidiary, Petronor, have been expanding their service station networks aggressively this year.

The expansion is partly on the so-called "parallel network" designed for foreign entrants, the only stations which can be supplied with imported products. Only Campsa presently has access to the established monopoly service station network.

"I am obliged to tell you," Sir Leon wrote, "that if this state of affairs continues I could find myself having to propose to the commission that it revises its position on this point; that is, to examine the terms that permit Campsa sole use of the monopoly network."

The letter also attacks Spain's – or, more accurately, Repsol's – failure to loosen its grip on the bulk LPG and heating oils markets. In bulk LPG particularly, Repsol Butano has a total and highly-profitable monopoly of what is Europe's biggest market for butane. It has some 13m customers, who use it mainly for cooking.

Repsol Butano lifts most of its butane from European refiners and, by refusing to do so, could make life in the short term extremely difficult for any refiner, foreign or Spanish, who tried to sell butane independently in Spain.

Sir Leon warned Madrid that it would not be acceptable for the monopoly on butane and heating gas still to exist after January 1 next year, when the Spanish agreed it would have disappeared. Officials at the industry ministry in Madrid were not available yesterday to comment on the commission's warnings.

Officials at the commission in Brussels said the Spanish had not yet replied to the letter, but that an answer was required by mid-December.

Petrochemicals and fertilisers boost Sabic

SAUDI BASIC Industries (Sabic), which runs a range of industrial projects in Saudi Arabia, boosted net profits by 7 per cent to 2.587bn riyals ($690m) in the first nine months of 1989 from 2.416bn riyals in the same period of 1988, AP-DJ reports.

The official Saudi Press Agency (SPA) said Mr Abdel Aziz al-Zamil, the Saudi Industry and Electricity Minister who is also Sabic chairman, announced the profit rise following a meeting in Riyadh of the Sabic board and some of its private shareholders.

Sales of petrochemicals, fertilisers and metals rose 10 per cent to 6.83m tons in the first nine months of 1989 from 6.2m tons in the same period last year.

Sabic, set up in 1976 as part of Saudi Arabia's efforts to diversify exports away from crude oil sales, is at the centre of a long-running dispute between Persian Gulf petrochemical producers and the European Commission, which has imposed tariffs on Gulf petrochemical exports to Europe.

Gulf petrochemicals producers are expected to renew their pressure on the EC to drop the tariffs next year.

INTERNATIONAL COMPANIES AND FINANCE

Trust banks hit by interest rates

By Stefan Wagstyl in Tokyo

THE PROFITS of Japanese trust banks are being squeezed by rising interest rates.

In the six months to the end of September, the pre-tax profits of seven trust banks rose by 9.6 per cent to Y366bn ($2.55bn), boosted by gains on sales of securities.

The banks' net business profits, which exclude profits on most kinds of securities dealing, fell 8.2 per cent to Y269.4bn. Net business profits are a new category created at the insistence of the Japanese authorities to make banks' results statements more transparent.

The banks were hit by the sharp rise in short-term interest rates this year which greatly raised the cost of raising funds. Long-term rates, which are applied to many of the loans made by trust banks to customers, have risen much less.

Four out of the top five banks – Mitsui Trust & Banking, Mitsubishi Trust & Banking, Sumitomo Trust & Banking, and Toyo Trust & Banking – reported sharp declines in net income from interest and dividends. The fifth, Yasuda Trust & Banking, made a net loss of Y3.08bn, against a gain last year of Y18.65bn.

The decline in net interest income was offset by increases in income from fees and commissions for trust business and other work, including real estate services. Trust fees rose 6.7 per cent to Y330.7bn and fees from other sources by 7.5 per cent to Y149.7bn. Also, profits from stock dealing rose 85.3 per cent to Y169.4bn.

For the full year, the banks forecast that revenues and profits would fall short of last year's levels, in view of further increases in short-term interest rates since the end of September.

JAPANESE TRUST BANK RESULTS (Ybn)
Half-year to September 30

Bank	Revenue	% rise	Recurring	% rise	Net business	% rise	After tax	% rise
Mitsui	528.7	28.2	68.1	18.2	42.8	-29.4	32.6	10.8
Mitsubishi	662.5	28.4	86.6	7.2	66.6	-8.8	62.0	10.7
Sumitomo	668.3	34.2	84.5	5.6	64.5	-2.7	40.1	6.3
Yasuda	470.6	32.0	59.3	12.8	36.1	-1.6	32.0	22.8
Toyo	382.9	26.9	46.7	7.8	48.8	2.1	22.3	9.6
Chuo	191.9	32.4	15.6	8.1	14.1	-19.3	7.5	11.4
Nippon	70.6	16.1	4.8	21.6	2.5	–	3.2	35.3
TOTAL	2,975.9	29.5	366.0	9.6	269.4	-8.2	178.9	11.9

Bond Corp deal with NZ brewer postponed

By Bruce Jacques in Sydney

BOND CORPORATION, the troubled Perth-based conglomerate, and Lion Nathan, the New Zealand brewer, have agreed to extend for a fifth time the deadline for the first step on their proposed A$2.5bn (US$1.95bn) brewery deal.

The companies announced jointly yesterday that they were renegotiating some aspects of the complex deal.

"The transactions proposed in relation to the brewing assets of Bond, as announced on September 19, require some amendment to facilitate completion," the statement said.

"Lion Nathan has put forward some proposals for amending the September 19 transaction. The proposals for amendment are being actively scrutinised and negotiated by Bond, Lion Nathan and Bell Resources."

The companies have set December 8 as the next deadline for implementing the deal.

Under the initial proposal, Bond planned to launch a A$1.60 a share bid for Bell Resources. This was part of a series of proposed transactions which involved Bond selling its brewing assets – which include the Swan and Fourex beer brands – to its Bell Resources subsidiary.

Bell would then sell a half-share in the breweries to Lion Nathan for a price claimed to value the assets at A$2.5bn.

The deal is regarded as crucial to Bond Corporation's survival, injecting much needed funds into the company, and perhaps just as importantly allowing it to book a capital profit.

Bond has had difficulties in having its documentation for the Bell bid approved by the National Companies and Securities Commission.

The commission is believed to require the bid to be extended to all Bell Resources shares, including those held by another Bond associate, Bell Group. But Bond is seeking to avoid this because it would add about A$400m to the cost.

It has been speculated that any changes in the deal would be likely to reduce its complexity, perhaps allowing Lion Nathan to buy 100 per cent of the breweries directly, but for a lower price than earlier proposed.

Any revised deal may also relieve Lion Nathan of its obligation to provide funding to Bond Corporation for its Bell Resources bid.

Meneba to buy Dutch bakers

By Our Financial Staff

MENEBA, the Netherlands-based milling, baking, stockfeed and poultry unit of *Goodman Fielder Wattie*, the Australian food company, has agreed to buy the Dutch baking company Bakkerij Hendriks for an undisclosed sum. Goodman Fielder says it expects the sale will be completed by the end of December.

The purchase of Bakkerij Hendriks's two bakeries, which have combined annual sales equal to about A$31m, gives Meneba coverage of almost all the Dutch bread market and a base to increase sales to West Germany.

Meneba is looking at opportunities to develop core businesses in the Netherlands and Europe the company said.

Japan's credit companies boosted by goods demand

By Ian Rodger in Tokyo

CONSUMER CREDIT COMPANIES' RESULTS (Ybn)
Half-year to September 30

Company	Contract vol	% rise	Pre-tax	% rise	Net	% rise
Orient	2,403.1	17.1	18	9	7.5	16.3
Nippon Shinpan	2,359.5	20.4	13.1	4.6	5.1	13
Daishinpan	861.1	56	3.1	13.3	1.5	23.7
Jaccs	659.2	14.9	2.6	5	1.2	8.3
Central Finance	684.6	33.6	1.8	33	1.0	25.6
Life	564.0	27.6	1.2	2.2	0.4	-40.4

CREDIT is catching on in Japan and the country's top six consumer credit companies are reaping the benefits both in business and profit growth.

The volumes of new contracts rose sharply, due to demand for durable goods. Security-backed loans and loans to corporations also rose.

Business growth is expected to continue strongly during the second half, but profit growth will probably be modest because of rising interest rates.

Nippon Shinpan, for example, forecast that its pre-tax profit in the full year would be up only 0.1 per cent to Y26.5bn ($184.7m).

Profit soars at Okuma Machinery

By Our Financial Staff

OKUMA MACHINERY Works, one of Japan's top machine tool makers, raised pre-tax profits for the first half-year to September 30 by 43.8 per cent to Y4.2bn ($29.2m) or Y3.25 a share, from Y2.9bn or Y2.75 a share in the same period last year.

The results were helped by growing sales and rebounding product prices, the company said yesterday, in spite of the Y568m spending on a convertible bond issue.

Sales increased by 17.8 per cent, to Y48.3bn from Y41.0bn in the corresponding period last year, reflecting strong corporate facility investment and stronger sales efforts, the company said.

Net earnings increased by 85.5 per cent to Y2.4bn, from Y1.3bn last year.

Sales in the machine tool division were up by 17.8 per cent, while industrial machinery sales rose by 18 per cent.

Exports accounted for 33.5 per cent of revenues in both divisions, compared with 33.1 per cent the previous year.

Okuma is forecasting record sales for the full year of Y98.3bn, an increase of 12.7 per cent compared with the year which ended last March.

The company also predicts its second-highest pre-tax profit, of Y9.1bn, a 27.5 per cent increase from the previous year, and the biggest since the Y10bn recorded in the year to March 1986.

Packer sells ANI division to Wormald for A$57.5m

By Bruce Jacques

AUSTRALIAN National Industries (ANI), the engineering group controlled by Mr Kerry Packer, the Australian businessman, has continued its divestment programme, selling its O'Donnell Griffin division to Wormald International for A$57.5m (US$45m).

Wormald, a diversified fire protection group controlled by the UK-domiciled investor AFP Group, will fund the purchase through a A$100m share issue, announced earlier this month.

Mr Bob Mansfield, Wormald's chief executive, said O'Donnell Griffin was a successful electrical and fire protection group, with activities tied to the same customer base as Wormald.

Mr Max Sandow, ANI's chairman, said the sale represented a further focusing of the company's activities.

He told ANI's annual meeting the company planned to reduce its debt to about $A150m by the end of the year, compared with a latest balance date debt figure of about $A490m.

The Bahamas acts to reverse decline in offshore banking

By Canute James in Kingston

In an effort to counter a loss of business to neighbouring tax havens such as the Cayman Islands, the Government of the Bahamas is planning legislative changes to enhance the country's attraction as a location for international banking and other financial services.

The new measures are intended to reverse a decline in the volume of offshore business brought about by several factors, ranging from the fees which are required for incorporation to reports of drug trafficking in the archipelago.

The country's banking sector was, up to six years ago the third largest in the world, exceeded only by Britain and the US. With total foreign liabilities of US$157bn, the Bahamas had a world market share of just under 7 per cent.

But the Bahamas has since been overtaken by other centres such as Hong Kong, Singapore, Switzerland and Luxembourg, and now occupies 11th place, with its world market share reduced to about 3 per cent.

The Bahamian parliament has been presented with a new International Business Company Act which, according to Mr Sean McWeeney, the Attorney General, is intended to reduce "onerous red tape requirements."

"Incorporation and annual fees will be dramatically lower," he explained. "Fees for IBCs have been scaled to the bone, and on any reckoning, will place us in a considerably more competitive position in the region."

The Bahamas hosts just under 400 offshore banks and trust companies, and the development of the sector has been assisted by the country's proximity to the US, the absence of personal and corporate taxation and exchange controls and banking secrecy legislation.

The sector blossomed in the 1960s with the expansion of the Eurocurrency markets. Many US banks established shell companies to deal with their Eurodollar business.

The combined deposits of the offshore sector are US$170bn, and it makes a valuable contribution to the archipelago's economy which is based on tourism.

But local business leaders say there has been a recent flight of clients from the offshore sector, and that new registrations have been below the levels anticipated.

Several offshore banks were reported to have been unhappy at critical statements made last year by Sir Lynden Pindling, the Prime Minister, that the sector was greedy and not interested in the country's welfare.

This coincided with an increase in the registration fee for banks from $10,000 to $25,000, while that for authorised dealers was doubled to $100,000.

Authorised agents were also asked to pay $60,000 – twice as much as before. Dealers are allowed to transact business in foreign currencies while agents are allowed to hold securities.

This apparently made the Cayman Islands, where registration fees are much lower, more attractive for offshore businesses. The Bahamas also failed to attract as many as expected of those companies which left politically troubled Panama. Several headed for the Cayman Islands.

The new legislation which has been proposed by the Bahamian Government for international business companies includes a 20-year exemption from stamp duties on the transfer of property and transactions in the shares, debt obligations and securities of the companies.

It is also being proposed that for 20 years after incorporation exchange control regulations will not apply to the international business companies, or to transactions between shareholders of these companies.

The Government is apparently hoping that these new incentives will help to stem the move of businesses to competing havens such as the Cayman Islands, while making the Bahamas more attractive to new registrations.

The competitive edge which the Cayman Islands has displayed, and which has contributed to some defections from the Bahamas, has contributed to steady growth in the offshore sector in the British colony over the past two decades.

The volume of registered companies grew from 12,183 in 1980 to 16,821 in 1987, and then jumped to 18,236 by the end of last year.

There is also in the Cayman Islands an absence of direct taxation and exchange control regulation, strictly enforced laws on secrecy and a high level of political stability.

Golden handcuffs lose their lustre

Richard Waters on why plans to keep key people are being dropped

Remember golden handcuffs? In the far-off halcyon days of the London equity business, these dazzling shackles were meant to enable outsiders buying their way into the stock market to hang on to their most valuable acquisitions: the partners of the stockbrokers and jobbers they had bought.

Now, little more than three years after the outsiders arrived on the scene with Big Bang, the handcuffs are coming off. After a turbulent ride for equity markets worldwide, such arrangements have lost much of their sparkle.

Barclays de Zoete Wedd releases its employees at the end of this year. Partners in brokers de Zoete & Bevan and jobbers Wedd Durlacher, the two predecessor firms, were given "founder" shares in the new integrated subsidiary. The shares have had no market: from January 1, though, the employees have the option of selling them to Barclays.

James Capel also sees its handcuffs come off at the start of next year – five years after it tied the knot with Hongkong and Shanghai Banking.

Others have been released in recent months. At Warburg, the ties around 40 former partners from Rowe & Pitman and a further 20 from Akroyd and Smithers and Mullens were cut earlier this year. As with Barclays, it became possible for the directors to sell their shares to the parent.

Former partners of Phillips & Drew (now owned by Union Bank of Switzerland) and Grieveson Grant (owned by Kleinwort Benson) have also had their handcuffs released during this year.

Golden handcuffs involve deferring the payment of some or all of the money due to the partners of a firm that sold out. The partners only collect the full amount if they stay for, usually, somewhere between three or five years.

In most cases, such arrangements have doubled as incentive schemes. BZW's "founder shares" will be bought by Barclays at a price fixed by an independent valuer. That means that the more successful the business, the greater the final reward for the former partners. Given the chequered history of the securities industry in the past three years, the sums may not be as large as some had originally hoped.

Not that golden handcuffs have blocked the City job market: banks have been willing to release some staff early. BZW has had a number of "agreed leavers" – 15 at the start of 1988 and 10 at the beginning of this year. Others have broken their handcuffs on the offer of compensation from new employers.

As a result, few believe that the City job market will change substantially when all the handcuffs are released. But the experience at Warburg suggests that there is a least some movement towards the exit, if not actually a rush. Of the former partners still in place in April, about a third headed for the door when they were able.

However, that may in some cases be coincidental. One of those to leave Warburg earlier this year was head of research Mr Nick Whitney, who joined Citicorp Scrimgeour Vickers. He says: "If I had wanted to leave sooner, the amount of money I was locked in for was relatively modest and I could have recovered it elsewhere."

For others, who were more senior partners at the time they were bought out, it would not have been so easy, he says.

Removing an artificial barrier to a free job market may not affect many in the City. On the other hand, the releasing of the handcuffs will have asignificant impact in other ways.

For the people who have been tied by them, there is the money. They will be able to collect the last payments for the goodwill they sold in those long gone, optimistic days.

A frequently quoted estimate has it that around 1,500 partners sold out in the build-up to Big Bang, at an average of £1m each, although many of the beneficiaries claim that figure is wildly overstated.

Barclays, for instance, paid around £120m for two partnerships it bought, a sum shared between 210 partners (not all of whom joined the new firm).

For the managers of integrated securities firms, there will be the chance to end a divisive period in which employees could be divided into two camps: those who were lucky enough to be partners of stockbroking firms when they were sold and those who weren't. The sheer fluke that made many people millionaires also created resentments which have made managing these firms difficult.

Golden handcuffs were a management mistake from another point of view as well. As Mr Hector Sants, head of equities at UBS Phillips & Drew, says: "The oldest partners were paid the most, so the buyers tended to lock in the people who had the least incentive to go on and build the business."

For the banks, the whole episode is one they will be glad to forget. It is the last reminder of the price they paid to gain entry to a business that has brought them for the most part losses, and promises little better in the foreseeable future.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 27, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.6014	35.5416	44.3575
Albania	(Lek)	10.05	6.4402	3.5989	4.4916
Algeria	(Dinar)	12.6145	8.0836	4.5172	5.6377
Andorra	(Fr Fr)	9.5375	6.1118	3.4153	4.2625
	(Sp Peseta)	179.35	114.9311	64.2256	80.1564
Angola	(Kwanza)	47.82u	29.9180	17.1244	21.3720
Antigua	(E Carr $)	4.2040	2.6940	1.5054	1.8788
Argentina	(Austral)	1017.75	652.1948	364.4583	454.8603
Aruba	(Florin)	2.7870u	1.7900	0.9980	1.2455
Australia	(Aus $)	1.9865	1.2729	0.7113	0.8878
Austria	(Schilling)	19.675	12.6081	7.0456	8.7932
Azores	(Port Escudo)	243.05	155.7513	87.0367	108.6256
Bahamas	(Bahama $)	1.5605	1	0.5588	0.6974
Bahrain	(Dinar)	0.5880	0.3768	0.2105	0.2627
Balearic Is	(Sp Peseta)	179.35	114.9311	64.2256	80.1564
Bangladesh	(Taka)	48.50	31.0797	17.3679	21.6759
Barbados	(Barb $)	3.1315	2.0067	1.1213	1.3995
Belgium	(Belg Fr)	58.65c	37.5841	21.0026	26.2122
		58.75g	37.6481	21.0384	26.2569
Belize	(B $)	3.1140u	2	1.1151	1.3917
Benin	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Bermuda	(Bermudian $)	1.5605	1	0.5588	0.6974
Bhutan	(Ngultrum)	26.10	16.7254	9.3464	11.6648
Bolivia	(Boliviano)	4.5465	2.9134	1.6281	2.0319
Botswana	(Pula)	3.0025	1.9240	1.0752	1.3418
Brazil	(Cruzado)	10.8085	6.9263	3.8705	4.8306
British Virgin Is	(US $)	1.5605	1	0.5588	0.6974
Brunei	(Brunei $)	3.0455	1.9516	1.0905	1.3611
Bulgaria	(Lev)	1.3344	0.8551	0.4778	0.5963
Burkina Faso	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Burma	(Kyat)	10.7780	6.9067	3.8596	4.8169
Burundi	(Burundi Fr)	249.55	159.9166	89.3643	111.5307
Cambodia	(Riel)	233.95u	150	83.7779	104.5586
Cameroon	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Canada	(Canadian $)	1.8190	1.1656	0.6513	0.8129
Canary Is	(Sp Peseta)	179.35	114.9311	64.2256	80.1564
Cp. Verde	(CV Escudo)	121.10	77.6033	43.3661	54.1229
Cayman Is	(CI $)	1.2950u	0.8300	0.4637	0.5787
Cent. Afr. Rep	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Chad	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Chile	(Chilean Peso)	432.12	276.9112	154.7430	193.1262
China	(Renminbi Yuan)	5.8680	3.7603	2.1013	2.6225
Colombia	(Col Peso)	647.25	414.7709	231.7815	289.2737
Comoros	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Congo (Brazz)	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Costa Rica	(Colon)	130.1650	83.4123	46.6123	58.1743
Côte d'Ivoire	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Cuba	(Cuban Peso)	1.2410	0.7952	0.4444	0.5546
Cyprus	(Cyprus £)	0.7650	0.4902	0.2739	0.3418
Czechoslovakia	(Koruna)	23.42c	15.0080	8.3867	10.4670
		15.18l	9.7276	5.4359	6.7843
		15.18t	9.7276	5.4359	6.7843
Denmark	(Danish Kroner)	10.8425	6.9480	3.8827	4.8458
Djibouti Rep	(Djib Fr)	270.00	173.0214	96.6875	120.6703
Dominica	(E Carr $)	4.2040	2.6940	1.5054	1.8788
Dominican Rep	(D Peso)	10.5655	6.7705	3.7835	4.7220
Ecuador	(Sucre)	1013.70u	649.5994	363.0080	453.0502
		940.18a	602.4863	336.6803	420.1921
Egypt	(Egyptian £)	4.0000	2.5632	1.4324	1.7877
El Salvador	(Colon)	7.8010	4.9990	2.7935	3.4864
Equat'l Guinea	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Ethiopia	(Ethiopian Birr)	3.1985	2.0496	1.1453	1.4294
Falkland Is	(Falk £)	1.00	0.6408	0.3581	0.4469
Faroe Is	(Danish Kroner)	10.8425	6.9480	3.8827	4.8458
Fiji Is	(Fiji $)	2.3566	1.5101	0.8438	1.0531
Finland	(Markka)	6.5833	4.2187	2.3574	2.9422
France	(Fr)	9.5375	6.1118	3.4153	4.2625
Fr. Cty/Africa	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Fr. Guiana	(Local Fr)	9.5375	6.1118	3.4153	4.2625
Fr. Pacific Is	(CFP Fr)	169.00	108.2986	60.5192	75.5307
Gabon	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Gambia	(Dalasi)	11.9250	7.6417	4.2703	5.3296
Germany East	(Ostmark)	2.7925	1.7894	1	1.2480
Germany West	(DMark)	2.7925	1.7894	1	1.2480
Ghana	(Cedi)	460.50	295.0977	164.9059	205.8100
Gibraltar	(Gib £)	1.00	0.6408	0.3581	0.4469
Greece	(Drachma)	254.90	163.3450	91.2802	113.9217
Greenland	(Danish Krone)	10.8425	6.9480	3.8827	4.8458
Grenada	(E Carr $)	4.2040	2.6940	1.5054	1.8788
Guadaloupe	(Local Fr)	9.6375	6.1759	3.4512	4.3072
Guam	(US $)	1.5605	1	0.5588	0.6974
Guatemala	(Quetzal)	4.4460	2.8490	1.5921	1.9870
Guinea	(Fr)	467.10	299.3271	167.2694	208.7597
Guinea-Bissau	(Peso)	1012.05u	650	362.4171	452.3128
Guyana	(Guyanese $)	46.5950u	30	16.6857	20.8245
Haiti	(Gourde)	7.7850u	5	2.7878	3.4793
Honduras	(Lempira)	3.1200u	2	1.1172	1.3944
Hong Kong	(HK $)	12.1795	7.8048	4.3615	5.4433
Hungary	(Forint)	91.7430	58.7907	32.8533	41.0024
Iceland	(Icelandic Krona)	97.55	62.5120	34.9328	43.5977
India	(Indian Rupee)	26.10	16.7254	9.3464	11.6648
Indonesia	(Rupiah)	2810.10	1800.7689	1006.3025	1255.9106
Iran	(Rial)	113.20	72.5408	40.5371	50.5921
Iraq	(Iraqi Dinar)	0.4860	0.3114	0.1740	0.2172
Irish Rep	(Punt)	1.0580	0.6779	0.3788	0.4728
Israel	(Shekel)	3.0900	1.9801	1.1065	1.3810
Italy	(Lira)	2061.75	1321.2111	738.3169	921.4525
Jamaica	(Jamaican $)	9.9185	6.3599	3.5518	4.4328
Japan	(Yen)	223.75	143.3835	80.1253	100
Jordan	(Jordanian Dinar)	1.0455	0.6699	0.3743	0.4672
Kenya	(Kenya Shilling)	33.70	21.5956	12.0680	15.0614
Kiribati	(Australian $)	1.9865	1.2729	0.7113	0.8878
Korea North	(Won)	1.5105	0.9679	0.5409	0.6750
Korea South	(Won)	1049.07	672.2652	375.6741	468.8581
Kuwait	(Kuwaiti Dinar)	0.4661	0.2986	0.1669	0.2083
Laos	(New Kip)	907.75	581.7045	325.0671	405.6983
Lebanon	(Lebanese £)	683.55	438.0326	244.7806	305.4972
Lesotho	(Maluti)	4.0708	2.6086	1.4577	1.8193
Liberia	(Liberian $)	1.5605	1	0.5588	0.6974
Libya	(Libyan Dinar)	0.4662	0.2987	0.1669	0.2083
Liechenstein	(Swiss Fr)	2.5050	1.6052	0.8970	1.1195
Luxembourg	(Lux Fr)	58.65	37.5841	21.0026	26.2122
Macao	(Pataca)	12.5635	8.0509	4.4990	5.6149
Madeira	(Port Escudo)	243.05	155.7513	87.0367	108.6256
Malagasy Rep	(MG Fr)	2172.00	1391.8615	777.7976	970.7262
Malawi	(Kwacha)	4.2950	2.7523	1.5380	1.9195
Malaysia	(Ringgit)	4.2138	2.7002	1.5089	1.8832
Maldive Is	(Rufiya)	14.5940	9.3521	5.2261	6.5224
Mali Rep	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Malta	(Maltese £)	0.5405	0.3463	0.1935	0.2415
Martinique	(Local Fr)	9.5375	6.1118	3.4153	4.2625
Mauritania	(Ouguiya)	135.7550	86.9945	48.6141	60.6726
Mauritius	(Maur Rupee)	23.45	15.0272	8.3974	10.4804
Mexico	(Mexican Peso)	4141.65a	2654.0531	1483.1333	1851.0167
		4048.20d	2594.1685	1449.6687	1809.2513
Miquelon	(Local Fr)	9.5375	6.1118	3.4153	4.2625
Monaco	(French Fr)	9.5375	6.1118	3.4153	4.2625
Mongolia	(Tugrik)	5.2245a	3.3560	1.8709	2.3349
Montserrat	(E Carr $)	4.2040	2.6940	1.5054	1.8788
Morocco	(Dirham)	13.1555	8.4303	4.7110	5.8795
Mozambique	(Metical)	1278.50	819.2886	457.8334	571.3966
Namibia	(S A Rand)	4.0708	2.6086	1.4577	1.8193
Nauru Is	(Australian $)	1.9865	1.2729	0.7113	0.8878
Nepal	(Nepalese Rupee)	37.3680	23.9461	13.3815	16.7007
Netherlands	(Guilder)	3.1475	2.0169	1.1271	1.4067
N'nd Antilles	(A/Guilder)	2.8125a	1.8000	1.0071	1.2569
New Zealand	(NZ $)	2.6486	1.6972	0.9484	1.1836
Nicaragua	(Cordoba)	33227.95	21293.1432	11898.9973	14850.4804
Niger Rep	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Nigeria	(Naira)	11.5995	7.4331	4.1538	5.1841
Norway	(Nor. Krone)	10.6700	6.8375	3.8209	4.7687
Oman	(Rial Omani)	0.6005	0.3848	0.2150	0.2683
Pakistan	(Pak. Rupee)	32.70	20.9548	11.7099	14.6145
Panama	(Balboa)	1.5605	1	0.5588	0.6974
Papua New Guinea	(Kina)	1.3475	0.8635	0.4825	0.6022
Paraguay	(Guarani)	1880.28	1204.9224	673.3321	840.3486
Peru	(Inti)	8890.90	5697.4687	3183.8495	3973.5865
Philippines	(Peso)	32.90	21.0829	11.7815	14.7039
Pitcairn Is	(£ Sterling)	1.00	0.6408	0.3581	0.4469
	(NZ $)	2.6485	1.6972	0.9484	1.1836
Poland	(Zloty)	5970.00	3825.6968	2137.8692	2668.1564
Portugal	(Escudo)	243.05	155.7513	87.0367	108.6256
Puerto Rico	(US $)	1.5605	1	0.5588	0.6974
Qatar	(Riyal)	5.6770	3.6379	2.0329	2.5372
Reunion Is. de la	(F Fr)	9.5375	6.1118	3.4153	4.2625
Romania	(Leu)	14.37	9.2085	5.1459	6.4223
Rwanda	(Fr)	124.95	80.0704	44.7448	55.8435
St Christopher	(E Carr $)	4.2040	2.6940	1.5054	1.8788
St Helena	(£)	1.00	0.6408	0.3581	0.4469
St Lucia	(E Carr $)	4.2040	2.6940	1.5054	1.8788
St Pierre	(French Fr)	9.5375	6.1118	3.4153	4.2625
St Vincent	(E Carr $)	4.2040	2.6940	1.5054	1.8788
San Marino	(Italian Lira)	2061.75	1321.2111	738.3169	921.4525
Sao Tome	(Dobra)	167.15	107.1131	59.8567	74.7039
Saudi Arabia	(Riyal)	5.8485	3.7478	2.0943	2.6138
Senegal	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Seychelles	(Rupee)	8.65	5.5430	3.0975	3.8659
Sierra Leone	(Leone)	98.65	63.2169	35.3267	44.0895
Singapore	($)	3.0455	1.9516	1.0905	1.3611
Solomon Is	($)	3.7320	2.3915	1.3364	1.6679
Somali Rep	(Shilling)	638.37	409.0804	228.6016	285.3050
South Africa	(Rand)	4.0708c	2.6086	1.4577	1.8193
		6.1953g	3.9700	2.2185	2.7688
Spain	(Peseta)	179.35	114.9311	64.2256	80.1564
Spanish Ports in N Africa	(Sp Peseta)	179.35	114.9311	64.2256	80.1564
Sri Lanka	(Rupee)	61.60	39.4745	22.0590	27.5307
Sudan Rep	(£)	17.86a	11.4450	6.3957	7.9821
Surinam	(Guilder)	2.7790	1.7808	0.9951	1.2420
Swaziland	(Lilangeni)	4.0708	2.6086	1.4577	1.8193
Sweden	(Krona)	9.9800	6.3953	3.5738	4.4603
Switzerland	(Fr)	2.5050	1.6052	0.8970	1.1195
Syria	(£)	32.6970u	20.9529	11.7088	14.6131
Taiwan	($)	40.65	26.0493	14.5568	18.1675
Tanzania	(Shilling)	239.00	153.1560	85.5863	106.8156
Thailand	(Baht)	39.50	25.3125	14.1450	17.6536
Togo Rep	(CFA Fr)	476.90	305.6071	170.7788	213.1396
Tonga Is	(Pa Anga)	1.9865	1.2729	0.7113	0.8878
Trinidad/Tobago	($)	6.6175	4.2406	2.3697	2.9575
Tunisia	(Dinar)	1.4700	0.9420	0.5264	0.6569
Turkey	(Lira)	3625.50	2323.2938	1298.2990	1620.3351
Turks & Caicos	(US $)	1.5605	1	0.5588	0.6974
Tuvalu	(Australian $)	1.9865	1.2729	0.7113	0.8878
Uganda	(New Shilling)	529.10	339.0579	189.4717	236.4692
UAE	(Dirham)	5.7265	3.6696	2.0506	2.5593
United Kingdom	(£)	1.00	0.6408	0.3581	0.4469
United States	($)	1.5605	1	0.5588	0.6974
Uruguay	(Peso)	1184.45	759.0195	424.1539	529.3631
USSR	(Rouble)	0.9820	0.6292	0.3516	0.4388
Vanuatu	(Vatu)	184.50	118.2313	66.0698	82.4581
Vatican	(Lira)	2061.75	1321.2111	738.3169	921.4525
Venezuela	(Bolivar)	69.3980	44.4716	24.8515	31.0158
Vietnam	(Dong)	7006.50	4489.9070	2509.0420	3131.3966
Virgin Is-British	(US $)	1.5605	1	0.5588	0.6974
Virgin Is-US	(US $)	1.5605	1	0.5588	0.6974
Western Samoa	(Tala)	3.6377	2.3311	1.3026	1.6257
Yemen	(Rial)	15.1820	9.7289	5.4367	6.7852
Yemen PDR	(Dinar)	0.5340u	0.3430	0.1912	0.2386
Yugoslavia	(Dinar)	113000.70	72413.1168	40465.7833	50503.1061
Zaire Rep	(Zaire)	700.95	449.1829	251.0116	313.2737
Zambia	(Kwacha)	28.4800	18.2633	10.2059	12.7374
Zimbabwe	($)	3.53	2.2620	1.2641	1.5776

Special Drawing Rights November 24,1989 United Kingdom £N/A United States $N/A Germany West D Mark N/A Japan YenN/A European Currency Unit Rates November 27,1989 United Kingdom £1.34984 United States $1.13714 Germany West D Mark 2.03513 Japan Yen163.088

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US Dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, November 27, 1989

GREY

INTERNATIONAL CAPITAL MARKETS

Sterling weakness leads to sharp sell-off for gilts

By Stephen Fidler in London and Janet Bush in New York

STERLING'S slide on the foreign exchange markets generated more grief on the UK government bond market yesterday. It was a day dominated by the fortunes of sterling, which opened 3¼ pfennigs down against the D-Mark and put in something of a half hearted recovery thereafter.

The gilt market opened about ⅛ point down at the longer end, and slipped a further half point before recovering. The benchmark issue maturing in 2003/07 closed at 109⅜, down ⅝ point on Friday's close.

Sterling's trade weighted index finished at 88.2, down 0.5 from Friday and compared with the low point of 85.9 at the opening. The gilt market is becoming increasingly worried about the inflationary implications of sterling's sharp decline since the resignation of the former Chancellor, Mr Nigel Lawson. The shorter end of the market is also worried about the possibility of a further hike in British base rates. The only framework for monetary policy left, according to some analysts, is the so-called "Rule of Four" – for every four percentage point drop in the trade weighted index there should be a one percentage point rise in bank base rates.

Under this rule, a trade weighted index of 85 should trigger a further rise in base rates. However, it is not certain whether under new stewardship, the Treasury is holding to this loose policy. The strength of the D-Mark is also causing some worries in other parts of the European Monetary System. The French market for example fell on worries that this would force a realignment of the system.

In Germany however, after a firm start based on a stronger mark, the market closed lower, after futures-led selling.

The bear squeeze evident in the market on Friday appeared to have run its course, while the market weakened amid suggestions that the US Federal Reserve's easing of monetary conditions last week is already over. A tender of four and six-year paper at a rate of 7⅝ per cent was announced, further weakening sentiment. The market closed some 20-30 pfennigs down at the long end.

US Treasury bonds moved lower after the Fed drained liquidity from the banking system, casting doubt on whether it had eased to an 8¼ per cent Fed Funds rate last week.

At mid-session, the benchmark long bond was quoted ⅝ point lower at 7.90 per cent and short-dated maturities were also around ⅛ point lower.

The Fed announced one-day matched sales which followed a draining operation through weekend matched sales. Last Wednesday, the Fed had aggressively added funds to the banking system through five-day repurchase agreements which sent Fed Funds to a low of 8⅛ per cent, prompting the widespread view that the central bank had lowered its target for Fed Funds to 8¼ per cent from 8½ per cent.

The latest two draining operations has thoroughly confused the market about the Fed's intentions. Fed Funds were trading at 8⅝ per cent when the Fed announced yesterday's draining move and rose to 8¾ per cent by mid-session. Among possible reasons being floated by Wall Street yesterday was that the Fed had made a mistake about its reserves position last Wednesday and added too much liquidity to the market.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	103-24	-11/32	11.67	11.90	11.59
		8.750	1/98	94-09	-18/32	10.82	10.82	10.64
		9.000	10/08	92-24	-28/32	9.85	9.89	9.72
US TREASURY *		8.000	8/99	100-07	-11/32	7.96	7.92	7.91
		8.125	8/19	102-18	-11/32	7.90	7.92	7.93
JAPAN	No 111	4.600	6/98	94.8154	-0.082	5.49	5.54	5.41
	No 2	5.700	3/07	101.9540	-0.001	5.48	5.55	5.30
GERMANY		6.750	6/99	96.1500	-0.350	7.32	7.45	7.03
FRANCE	BTAN	8.000	7/94	93.7757	-0.534	9.70	9.73	9.27
	OAT	8.125	5/99	93.6000	-0.700	9.14	9.12	8.85
CANADA *		9.500	10/99	99.0000	-0.625	9.67	9.48	9.48
NETHERLANDS		7.250	7/99	96.8000	-0.290	7.76	7.68	7.43
AUSTRALIA		12.000	7/99	93.7301	+0.360	13.16	13.50	13.80

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

Average price changes... On day 0 on week 0

* No information available–previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month) above mean rate for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: [illegible]

INTERNATIONAL CAPITAL MARKETS

Strong issue flow despite slack investor demand

By Andrew Freeman

NEW ISSUE ACTIVITY was busy on the Eurobond market yesterday, but the absence of wide investor demand led to a series of targeted deals. Syndicate officials said there was a general lack of interest, although two Japanese equity warrant deals had fine receptions.

Secondary markets were described as extremely quiet, and trading volumes were light. Prices of seasoned Eurodollar bonds edged slightly lower towards the close of the session after the US Treasury market fell back. Eurosterling bonds fell across the board as sterling collapsed against the D-Mark.

Credit Suisse First Boston was the lead manager of a $100m three-year deal for Sulzer Brothers, the Swiss engineering group. The bonds offered an 8¾ per cent coupon, and were snapped up by eager Swiss investors.

CSFB was quoting the paper at 100¼ bid before the Treasury market backed off, and the price moved to 99⅞ bid, very comfortably inside 1⅜ per cent full underwriting fees. Traders said the terms were very generous, and speculated that Sulzer could have borrowed the funds more cheaply by going direct to the banks for a loan. "It's a gift," said one official.

Merrill Lynch brought a $100m convertible deal for Battle Mountaingold to a fine reception. The borrower is a US gold producer with interests in Australia and Papua New Guinea.

The par-priced bonds were trading at 100¼ bid amid good demand from Swiss institutions and gold funds based in France. A Merrill official said the paper was one of the few gold instruments that carried a good yield in addition to upside potential.

A L100bn three-year issue for Oesterreichische Kontrollbank traded around full fees, and was in demand from German and Italian funds. Proceeds were swapped into floating-rate US dollars.

A Y15bn four-year issue for National & Provincial Building Society was launched by IBJ International. The lead manager said the bonds were aimed at specific accounts and would not trade actively, but some dealers outside the issue said it had aroused wider interest. Deutsche Bank brought a Pta10bn five-year Matador deal for Eurofima to a slow reception.

The bonds were quoted ¼ point outside fees at less 1⅞ bid, with dealers saying the bonds were badly priced to uncertain German demand. In Switzerland, the grey market for recent new issues improved by around ¼ to ½ point, although investors remained noticeably absent. Credit Suisse brought a SFr100m convertible for Niigata Chuo Bank to a steady reception. The paper was trading at less ½ bid, inside fees.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Marui Co.‡	500	(3⅜)	100	1993	2¼/1½	Nomura Int.
Toshoku Ltd.‡	150	(3½)	100	1993	2¼/1½	Nomura Int.
Sulzer Brothers Inc.(a)◆	100	8¾	101	1992	1⅜/1	CSFB
Battle Mountaingold Co.(b)§	100	6	100	2005	2½/1½	Merrill Lynch Int.
Toyo Menka Kaisha(c)‡◆	750	2⅞	100	1993	2¼/1½	Nikko Secs. (Europe)
LIRE						
Oest. Kontrollbank(a)◆	100bn	13	101⅜	1992	1⅜/⅞	Istituto Mobiliare Ital.
PESETAS						
Eurofima(a)◆	10bn	12⅝	101⅞	1994	1⅞/1	Deutsche Bank
D-MARKS						
Kitano Construction Corp.‡	150	(1⅜)	100	1993	2⅛/1⅞	Deutsche Bank
D'Urban Inc.‡	100	(1⅜)	100	1994	2⅛/1⅞	DG Bank
SWISS FRANCS						
Niigata Chuo Bank(d)‡◆§	100	⅞	100	1994	1½	Credit Suisse
YEN						
Nat.& Provincial B.Soc.(a)◆	15bn	6.4	101⅜	1993	1⅞/1⅛	IBJ Int.
Bank of Montreal(e)◆	2.8bn	6⅞/10	101⅞	1991	1⅝/1⅛	Nippon Credit Int.
Banca CRT(Cayman Is.)(f)◆	2bn	7	101⅜	1991	1⅝/1⅛	Nomura Int.

‡‡Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Non-callable. b) Convertible into ordinary shares of Battle Mountaingold. Call after 3 and 4 years at 102,101 in year 5. c) Coupon cut by ⅛% from indication. d) Yield to put 3.301%. e) Launched in three tranches: Y900m, Y1bn and Y1.9bn with coupons of 10%, 7⅛% and 6⅞% respectively. Redemption linked to Nikkei stock index. f) Redemption linked to $/Yen exchange rate.

US life group in loan deal

By Stephen Fidler
Euromarkets Correspondent

EQUITABLE Life, the US insurance group, is raising $600m in the international loans market through a revolving credit being arranged by National Westminster Bank. Terms, which also include a competitive tender facility, were not immediately available.

Credit Suisse First Boston is arranging a $500m standby credit for Browning-Ferris of the US, with a 10 basis point commitment fee and a 20 basis point margin. It is also putting together a $250m financing for DSM of the Netherlands, $150m of which is committed, carrying a facility fee of 7 basis points and a margin of 10 basis points. Both credits carry utilisation fees.

Manufacturers Hanover is arranging an Ecu200m facility for Cassa di Risparmio di Roma. The 10-year facility carries a 17.5 basis point interest margin for years 1-4 and 18¾ basis points thereafter.

● Cable and Wireless has concluded a loan facility with the European Investment Bank to borrow up to $200m for 10 years. The loan is associated with the development of its transatlantic submarine fibre optic cable systems.

"The flexibility of this loan facility and the favourable cost over the long-term will provide substantial benefits to the group," the company said.

Jardine Fleming in broker move

Jardine Fleming Holdings of Hong Kong is discussing with its Malaysian partner the possibility of moving into local stockbroking, Reuters reports.

"We have identified Malaysia as the place where foreign investors should place their money. It's quite natural we should look at opportunities here," said Mr Alan Smith, managing director.

Jardine Fleming is discussing with Antah Holdings "what's the next sensible move." Currently, the two companies operate a joint-venture securities research company, Antah Jardine Fleming.

Country funds make their mark

Deborah Hargreaves on resurgence of interest in far-flung shares

A DELUGE of investment money from Japanese brokerage houses has been aimed at stock markets in far-flung corners of the world in recent months. This has fuelled a rapid expansion in country funds, many of which are now trading at enormous premiums to net asset value.

Merrill Lynch's recent launch of an Indonesian investment fund is the latest in a spurt of new country funds riding on a wave of interest in emerging stock markets of the world. Indeed, the new fund has been so successful that Merrill has increased its value from $30m to $37.5m.

After being put off by the stock-market crash of 1987, investors are once again looking to diversify their funds into little-known corners of the world where stock-market growth can be phenomenal. Country funds are one of the easiest and cheapest ways of investing in markets with limited access to foreign investors.

Around 20 country funds have started up so far this year, more than double the total in the whole of last year, and are centred in countries as diverse as Chile, Hungary and Turkey.

There are currently 52 country funds listed internationally, with the Korea Fund by far the largest. The Korea Fund was launched in 1984 by New York brokerages, First Boston and Shearson Lehman, in conjunction with the International Finance Corporation, and currently has a market capitalisation of $725m.

While South-east Asia has been regarded as the biggest growth area for country funds for some time, brokerage houses are turning their attention increasingly towards eastern Europe, where stock market development is expected to accompany the drive for democratic reform.

These funds have traditionally traded at wild premiums, but their extreme volatility can also plunge them into deep discounts on net asset value. For this reason, UK launches are dominated by the institutional market, although in the US where private investors are more adventurous, country funds are used by large private investors.

Merrill Lynch stresses that its Indonesian Capital Fund should see most interest from the institutional market with some participation by expatriates from the Far East. Merrill believes the success of the Indonesian fund is further evidence of the growing popularity of emerging market country funds and reflects the growing recognition by international investors of the positive structural changes taking place within the Indonesian economy, as well as the Government's commitment to the development of the Indonesian capital markets.

Country funds provide an opportunity for investors to circumvent the practical difficulties of getting into a growing market where stock availability is often extremely limited.

As the growth potential of emerging stock markets around the world becomes clear, many international portfolio managers are targeting these burgeoning markets for diversifying their investment.

Some $7.5bn is currently invested in country funds worldwide and this is expected to grow as emerging countries' share of the world economy increases. Emerging stock markets account for around 5 per cent of the world's capitalisation and some 12 per cent of gross domestic product.

Some commentators expect the amount of money invested in country funds to double over the next five years as US pension funds diversify more of their resources to the international marketplace.

Mr Peter Wall, who works on country fund development at the International Finance Corporation, an affiliate of the World Bank, points out that many of the stock markets in emerging countries are very small in relation to the countries' economies. Future growth of institutional investors and the transition away from small, family-owned companies to public corporations could fuel huge stock market expansion.

It is this growth that many investors are banking on when they put their money into country funds. However, these funds are not investments for the faint-hearted since they can be quick to go down as well as up in value.

"Any institution buying into a country fund should regard it as patient money," explains Mr Wall. "They should not put in money that may have to be recalled quickly and risk having to sell when the market is against them."

The Korea fund that is listed on the New York Stock Exchange is, for example, trading at a premium of 120 per cent to net asset value, given the current weight of interest in the Korean economy. The country has issued plans for opening up access to its stock market but currently has few means available for investors to take a position.

At the same time, more soberingly, the Brazil fund, also listed on the NYSE is trading at a 40 per cent discount to net asset value — a decline which has warned off many individual investors.

Country funds started to blossom amid the trend towards globalisation of the early 1980s. The stock-market crash of 1987 dealt a severe blow to their development but this year investors have again turned their eyes and their cash to some of the world's more obscure markets.

Mr Charles Lillis, executive director at Merrill Lynch, stresses that although country funds are usually more volatile than the London and New York stock markets, they have traditionally moved upwards. "As long as a portfolio is properly diversified and investors maintain a sensible exposure to these markets, they should remain unscathed."

However, country funds are not well insulated from a nose-dive on the world's major stock markets. During this year's "mini-crash" in New York in October, the US-quoted Brazil fund dropped by some 20 per cent, while the Brazilian stock market decreased by only 3 per cent.

In an indication of US fund managers' propensity to bale out of everything once the big markets go into free-fall, most country funds fell by more than their local markets and many funds continued to drop once the underlying stock market had recovered.

"The enthusiasm of Western investors for country funds is tempered by what is happening in New York and London," says Mr Lillis.

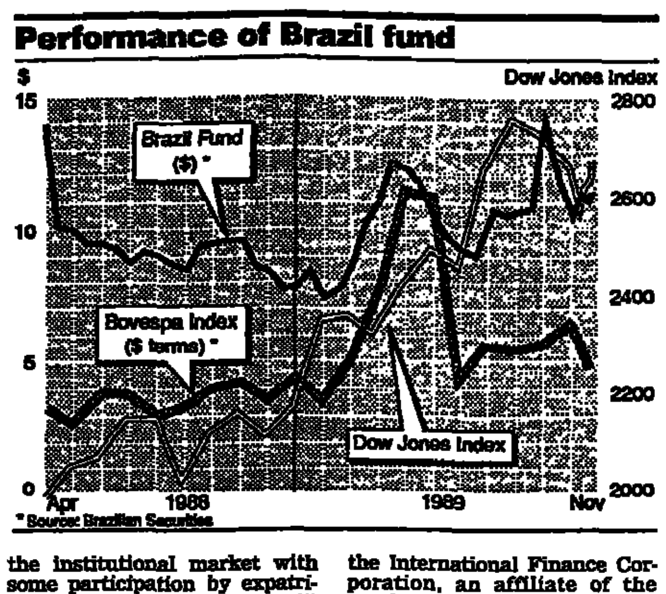
Fund managers also need to ensure that their infusions of capital into what are usually immature, poorly developed markets do not dominate those markets. Some countries, such as Korea, limit fund holdings to 5 per cent of the market's capitalisation.

Closed-end country funds need to take a position in markets which are usually fairly illiquid, Mr Lillis explains, but they have to ensure there is a large enough calendar of new issues to avoid swamping the market with their cash.

Emerging countries usually welcome investment from country funds since they help break a pattern of being overly dependent on debt finance and can channel funds from ex-patriates back into the country.

Country funds often stimulate development and for those institutions with strong stomachs, they can also offer huge returns.

Performance of Brazil fund



* Source: Brazilian Securities

Touche Ross affiliate opts out of merger

THE Touche Ross affiliate in Australia has opted out of Touche's international merger with Deloitte Haskins & Sells, Richard Waters writes.

Touche's 91-partner Australian firm is to be absorbed instead into the 238-partner Peat Marwick, a member of the international group KPMG.

This is the first Touche member not to join the new Deloitte/Touche combine, and follows the defection of several Deloitte affiliates. Based on estimated fee income to June 1989 of A$283m ($221m), the new KPMG firm in Australia will be the country's largest, ahead of Ernst & Young, the product of another merger.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday November 27 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Nov 24 Index No.	Thu Nov 23 Index No.	Wed Nov 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (95)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (121)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (690)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	2224.3	+1.9	2226.2	2212.9	2222.4	2228.5	2192.3	2185.3	2183.1	1781.5

FIXED INTEREST

PRICE INDICES	Mon Nov 27	Day's change %	Fri Nov 24	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.75	-0.24	117.04	–	[illegible]
2 5-15 years	129.82	-0.63	130.64	–	[illegible]
3 Over 15 years	138.36	-0.87	139.57	–	[illegible]
4 Irredeemables	156.46	-0.68	157.53	–	[illegible]
5 All stocks	127.98	-0.53	128.66	–	[illegible]
Index-Linked					
6 Up to 5 years	139.75	-0.24	140.08	–	[illegible]
7 Over 5 years	137.39	-0.47	138.04	–	[illegible]
8 All stocks	137.49	-0.45	138.08	–	[illegible]
9 Debentures & Loans	106.41	+0.68	106.44	0.76	10.15
10 Preference	85.16	+0.06	85.21	0.10	5.36

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

Opening index: 2217.8; 10 am 2213.9; 11 am 2213.2; Noon 2213.4; 1 pm 2213.4; 2 pm 2214.5; 3 pm 2221.5; 3.30 pm 2224.6; 4 pm 2224.8. [illegible] The list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	95	7
Corporations, Dominion and Foreign Bonds	7	12	23
Industrials	366	344	889
Financial and Properties	212	148	316
Oils	33	15	45
Plantations	2	2	5
Mines	67	17	78
Others	111	42	98
Totals	798	675	1,461

LONDON RECENT ISSUES

EQUITIES: [illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov 6
● Last Dealings Dec 1
● Last Declarations Feb 22
● For settlement Mar 5

For rate indications see end of London Share Service

Calls in Aviva Pet., British & Comm., Cityvision, Cliff Res., First Leisure, Leisure Invs., Suter, Tusker Res. Put in Ratners.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market had an exceptionally quiet day, with no large trades recorded and institutions content to remain on the sidelines. The low volume on the stock market and sluggishness in the futures market reinforced options traders' belief that investors would deal only on a small scale.

This was reflected in the turnover figures. Total volume amounted to just 18,205 contracts, of which 11,493 were calls and 6,712 were puts. Yesterday's total compared with 23,085 on Friday. But despite the recent low turnover, the number of contracts outstanding at the close of business on Friday, rose.

Total open interest stood at 747,979 contracts on Friday, compared with 740,496 on Thursday. FT-SE 100 index options open interest was 147,130, compared with 143,875. Dealers said the rise in open interest was due partly to the approach of a number of important company results, which made investors reluctant to close their positions.

The FT-SE contract was the busiest, though at 5,397 lots it traded just over half of Friday's total. Apart from a late burst of interest just before the close, trading was slow. Attention focused on the futures market, where the December FT-SE contract moved from a small discount in the morning to the cash market as the pound weakened. This prompted an easing in FT-SE put premiums and, consequently, implied volatility, the measure of possible future stock market movement, also fell slightly.

Among the stock options, Hanson was the busiest, ahead of its final results tomorrow. The largest trade was by James Capel, which bought 550 February 200 calls at 26p and 27p. The trade was said to be bullish as it was linked to purchases of underlying stock. This order prompted buying by other brokers, who were in the market not only for February 200 calls but also February 180 calls and May 200 calls. The day's events were reflected in the turnover figures. Hanson traded 2,072 lots, of which 2,057 were calls and only 15 were puts. The busiest series was the February 200 call.

[illegible]

November 27 Total Contracts 18,205. Calls 11,493 Puts 6,712. FT-SE Index Calls [illegible] Puts [illegible]. *Underlying security price. † Long dated expiry months.

Swiss group Adia's £167m hostile bid described as 'opportunistic'

Hestair plans £12m stationery sale

By John Ridding

HESTAIR, the personnel services and consumer products group which is the target of a £167m bid from Adia, a Swiss counterpart, will announce this week the sale of one of its consumer products subsidiaries for about £12m.

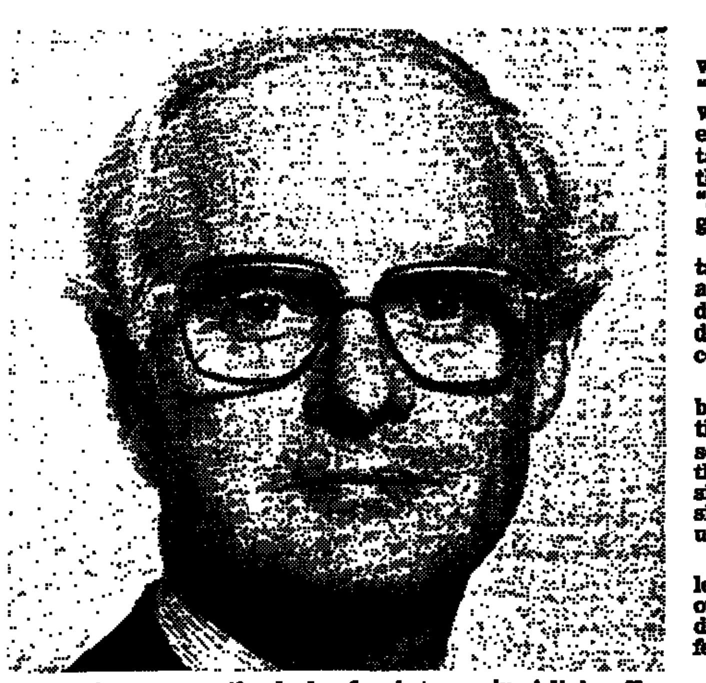
The disposal of Hestair Hope, the manufacturer of consumer stationery, is part of the group's strategy of increasing its emphasis on personnel services.

The move coincides with a stepping up in the war of words in the bid battle. Hestair yesterday attacked Adia's offer as "opportunistic" and defended its own recent performance.

In a response to Adia's formal offer document which was sent to shareholders last weekend, Mr David Hargreaves, Hestair's chairman, said that "the lack of substance in the document predictably reflects the meanness of the offer".

Two targets of Adia's attack have been Hestair's earnings per share record and its recent share price underperformance.

Adia cited the fall in Hestair's earnings per share, from 14.6p in the first half of 1988 to 13.3p in the corresponding period in 1989, and a 40 per cent underperformance in its share price compared with the FT-All Share Index in the year to November 17.



David Hargreaves: the lack of substance in Adia's offer document predictably reflects the meanness of the offer

But Mr Hargreaves attacked what he regarded as Adia's "selective use of statistics" which he described as "a deliberate attempt to mislead Hestair's shareholders". He said that Hestair had demonstrated "a five-year earnings per share growth of 706 per cent".

Adia also argued that Hestair had a "confused strategy" and attacked its "changes of direction". This related to the decision to sell the Kiddicraft consumer products business.

Hestair countered that it had been the board's stated intention to concentrate on its personnel services operations, and that this lay behind the decision to sell its engineering division and two consumer products businesses.

The sale of Hestair Hope will leave only Hestair Kiddicraft on the list of current planned disposals. It is also expected to fetch about £12m.

Hestair's shares closed up 3p yesterday at 301p. The premium to the offer price of 282p per share suggests that the market is looking for an increase in the offer.

Granada sheds French brown goods offshoot

By Nikki Tait

GRANADA GROUP, which has interests including television, bingo and motorway services, announced yesterday that it has sold NASA, its French brown goods retail business, to a group of unnamed investors.

The new owners plan to appoint Inter Discount Service, a Swiss-based consumer electronic retailer, to run the business.

No overall sale price has been disclosed, but Granada, which bought NASA in 1986, said it would receive convertible bonds from the company with a par value of £20m. Their worth will increase according to the future profits of the business.

Granada will be able to oblige NASA to buy these bonds after about four years. It said this was effectively the only consideration involved in the deal.

The new owners will, however, take on some debt within NASA as part of the transaction: again, no figure was disclosed. The net assets of the French business, the country's second largest brown goods retailer, are put at FF20m (£2.1m).

The move follows last month's sale by Granada of the Laskys electrical goods chain in the UK. It has also ceased its brown goods retailing activities through Kuba in Germany.

The company said that there would be loss on the NASA withdrawal but that provisions for all the costs of pulling out of consumer electronics retailing would be treated as an extraordinary item in the 1988/89 accounts. These costs, together with related consumer finance changes, will be outweighed by extraordinary gains, principally from the Barranquilla Investments sale earlier in the financial year.

Guiton lifts Guernsey Press offer by 15%

By Jane Fuller

GUITON, the Jersey publishing company which is laying siege to its Guernsey neighbour, has increased its bid by about 15 per cent and said that at least half of it is available in cash.

The first takeover battle between two Channel Islands companies has aroused a welter of local emotion, rooted in inter-island rivalry, particularly as Guernsey's only newspaper is the target's flagship.

The final offer is 118 of Guiton's 255p shares for 100 of Guernsey Press's 240p shares, valuing each share at 300.9p and the company at more than £17m. Guernsey shareholders can elect for up to 100 per cent of the offer to be paid in cash, subject to availability. December 8 has been fixed as the closing date.

The previous 102-for-100 offer valued Guernsey at about £15m and had a 25 per cent cash alternative. By November 24 Guiton had increased the percentage of the equity it owned or had acceptances for to 8.8 per cent, nearly double the level achieved before cash was on offer.

Mr Frank Walker, Guiton's managing director, said the improved offer was being financed first by the underwriting of up to 2.68m new shares, priced at 230p each. To that £6m, just over £2m could be added by borrowing.

To substantially reduce current debt, the company has arranged the sale of Blue Coach Tours for £900,000. The £300,000 surplus from the sale is to be treated as an extraordinary item in the 1989 accounts.

Guiton's latest assault also includes a forecast 15 per cent increase in trading profit, although the pre-tax figure is set to be slightly below last year's £1.66m because of interest payments.

Nu-Swift sells Sicli stake

By Peter Berlin

NU-SWIFT, the fire extinguisher and office cleaning group, has found potential buyers for its 88.5 per cent stake in Compagnie Centrale Sicli, French fire protection and detection group, less than two weeks after a proposed sale collapsed.

Nu-Swift has granted the Rothschild & Cie and Drexel Burnham Lambert a call option over the stake. The exercise price of the option is FFr567 (£59.44) per share.

If the acquisition takes place it will be completed by February next year. Under the terms of the call option the purchasers will be allowed to carry out an accountants review.

Earlier this month an agreement to sell the stake to a triumvirate of Wasserstein Perella, Bankers Trust and LBO France for £214m fell through. Wasserstein said Nu-Swift had been unable to deliver 95 per cent of Sicli, the minimum stake needed for a leveraged buy out in France.

Nu-Swift said that in the new deal "with other sales of shares in Sicli more than 95 per cent of the share capital of Sicli will be covered by the proposed arrangements."

Sicli's holding in National Cleaning Group, a US building maintenance services group, was transfered to Nu-Swift for an amount equal to original cost plus expenses since the acquisition of the US subsidiary.

Laporte spends £10m on Italian acquisition

By Andrew Bolger

LAPORTE INDUSTRIES (Holdings), the UK chemicals company, is to pay about £10m for an Italian company which makes textured architectural coatings, used on the external surfaces of both old and new buildings.

Settef is a privately-owned family firm based in Resena, in north-east Italy. Laporte said Settef's products were marketed throughout Italy and exported to Europe. The product range also includes insulation systems, waterproofing and concrete repair products.

Laporte said the acquisition fulfilled its need for a range of thick architectural coatings to complement its range of products for protection, repair and renovation of buildings, roadways and bridges.

Settef would also provide Laporte with a local manufacturing and distribution base for the growing Italian market for construction chemicals.

Settef was established in 1961 and is still managed by two brothers of the founding family. The current team will continueto manage the business and will market its products through Laporte's other buildings chemicals companies, which now cover the UK, France and West Germany. Laporte also has operations in the US and South America, Australia and south-east Asia.

Settef's turnover for 1989 will be about L15.7bn (£7.6m). Laporte's building and timber products and services division contributed £13.1m to the group's total pre-tax profits of £95.3m for the year ended January 1 1989.

Really Useful sale of IIS falls through

By John Ridding

Really Useful Group, the stock market vehicle for Mr Andrew Lloyd Webber's musical productions, announced yesterday that the proposed disposal of IIS, a video training company, has fallen through.

Summer International, the training and education group, was to pay a maximum of £20m to acquire IIS in a deal agreed in July. But Summer International has been unable to arrange a placing of shares to meet the initial cash consideration of about £7.75m.

Mr David Sinclair, chairman of Summer International, said that a combination of factors had made the vendor placing less attractive. In particular he cited the current market conditions and the recent fall in the group's share price.

Really Useful said that it would continue to pursue the disposal of IIS and that its present strategy involves concentrating on the exploitation of its copyrights. It said it would diversify only into closely related areas.

Blenheim acquisition

Blenheim Exhibitions Group has acquired West German Med-Kongress Diagnostika and M-KD Verwaltungs, the world's largest medical conference and exhibition for DM12m (£4.2m).

Egerton preference holders reject ordinary buy-back

By Nikki Tait

OPPOSITION FROM its preference shareholders has obliged Egerton Trust, the property, minerals and healthcare company, to adjourn indefinitely an extraordinary general meeting at which it was to have sought powers to buy in its ordinary shares.

The meeting was to have been held yesterday. Egerton said that ordinary and convertible preference shareholders had been overwhelmingly in favour of the buy-back powers, which would have covered 10 per cent of the issued equity.

Shares bought in would then have been cancelled.

However, according to chairman Mr Frank Sanderson, almost 50 per cent of £10m preference share class opposed the motion, with only a minimal number of preference shares being in favour. The company needed 75 per cent approval.

The treatment of preference shareholders in companies which want to take on share buy-back powers has been rumbling issue for some time. However, this is thought to be the first time that public opposition to a company's share buy-back plans has surfaced.

Essentially, the complaint from preference shareholders is that they see no benefit from buy-back programmes and, with capital cover reduced, find their risk increased.

Behind the scene, some companies, toying with taking buy-back powers, are understood to have repaid their preference holders first. In other cases, some adjustment to the coupon paid on the preference shares to compensate for the additional risk has been negotiated.

Yesterday, Mr Sanderson said he believed there was "confusion about whether this is a matter of principle or money." He described the supposed increase in risk as "not the real nub of the argument - it is basically an attempt to get a higher coupon."

Egerton, he added, would now "open negotiations" to see precisely what the preference shareholders might be seeking. There were suggestions yesterday that a 0.5 percentage point increase in the coupon might, on past precedent, be the sort of rise sought.

The investment protection committee of the Association of British Insurers, which was involved in the Egerton issue, said yesterday that its broad policy was that there should be some compensation for shareholders if there was a perceived increase in risk.

Success for de Savary in mbo at Highland Participants

By Nikki Tait

MR Peter de Savary, the flamboyant yachtsman financier, has succeeded in his attempt to take Highland Participants, the property and ship repair group, into the private sector via a 200p-per-share management buy-out bid.

Cornwall Trust, the bid vehicle controlled by Mr de Savary, announced yesterday that it had received acceptances in respect of 88.3 per cent of Highland's shares by Saturday's closing date. Acceptances were received in respect of a further 1.5 per cent of the equity for which valid cover had yet to arrive.

Included in the acceptance figure was the 14.6 per cent stake held by Mr de Savary and Highland directors, which was pledged at the outset to accept the bid. The deal is conditional on the separate management buy-out of Highland's Isle of Grain project, now approved by shareholders and due for completion today. The offer for Highland, meanwhile, has been extended to December 15.

Maxwell considers Monotype bid

By John Ridding

MR ROBERT Maxwell's Mirror Group Newspapers confirmed yesterday that it was considering launching a bid for Monotype, the maker of typesetting equipment, to counter Friday's agreed £32m offer from a US investment group.

However it said that any offer would only be marginally higher than the 150p-per-share offer on the table.

Monotype's shares, which had climbed sharply from 155p to 171p, slipped on the news to close at 158p.

MGN has taken its holding to 330,000 shares or 1.58 per cent of the total following purchases on Friday. It also emerged that King Black & Associates, the US investment group, now controls 7.7 per cent of Monotype's shares.

Mr Roger Day, Monotype's chairman, said that he would like Mr Maxwell to clarify his position and that uncertainty surrounding the company could damage business.

He said that he remained committed to the agreement with King Black but that he would consider any new offer.

MGN is considering expanding its interests into the pre-press area and Monotype could fit in with this development. Monotype presently supplies pre-press equipment to MGN and the two companies also have technical collaboration agreements.

King Black described its offer as final but reserved the right to improve the terms should a competing bidder emerge.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Allied-Lyons, Argyll Group, Centaries Oil, Chemoxy International, Eglington Exploration, Elgs, Hambros, Monks Investment Trust, NEC Corp, NSM, Siebe, Verson International.

Finals- Circaprint, Fairline Boats, Leeds, Northern American Trust, Radio City Sound of Merseyside, SAC International, Sanderson Electronic, Tate & Lyle, Yooto (H).

FUTURE DATES

Interims-	
Authority Investments	Dec. 15
Drummonds	Dec. 7
Trevian Holdings	Nov. 29
Unit Group	Dec. 4
Finals-	
Avon Rubber	Dec. 6
Burner Anderson	Dec. 6
Crystalate	Dec. 6
Dobson Park Inds	Dec. 5
Hardys & Hansons	Dec. 11
Murray Enterprises	Dec. 7

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Belt Bros	fin	3.95	Feb 19	2.45	5.8	3.85
Chamberlin/Hill	int	1.75	-	1.25*	-	4.5*
Cropper (James)	int	0.875	Jan 12	0.875	-	2.5
Hewetson §	int	1.6	Mar 30	1.25	-	3.85
JMD Group	int	nil	-	nil	-	nil
Merrydown Wine §	int	1†	Jan 17	0.888*	-	5.777*
Orlitams	int	4♥	-	3.5	-	10
Prop Partnerships	int	2.25	-	2	-	5.5
Tex Holdings	int	3	Feb 7	2.5	-	10
Vibroplant	int	1.22†	Mar 2	1.02	-	3
Wardell Roberts§	int	1.1♣	Jan 12	1	-	2.53
Windsor	fin	0.5	-	nil	0.5	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ♣Irish currency. ♥All dividends shown gross.

UK COMPANY NEWS

Northern base favours Vibroplant

By Peter Berlin

VIBROPLANT, the Yorkshire-based plant hire group, continued to defy the downturn in the construction sector and reported a 32.5 per cent advance in pre-tax profits for the six months to September 30.

On turnover 27 per cent up to £33m, from £26m last time, the profit worked through at £7.3m, against £5.5m. Earnings rose to 10.44p (8.74p) and interim dividend is 1.22p (1.02p).

However, Mr Jeremy Pilkington, the chairman, warned that "we have to treat the future with a degree of uncertainty."

He said the company had been to some extent protected from the recession because it had no presence in the south of England and Wales, and was not strong in the Midlands.

"The north of England and Scotland have been buoyant but I don't see that continuing independent of interest rates," he said. "Commercial contracts cannot defy the gravity of interest rates."

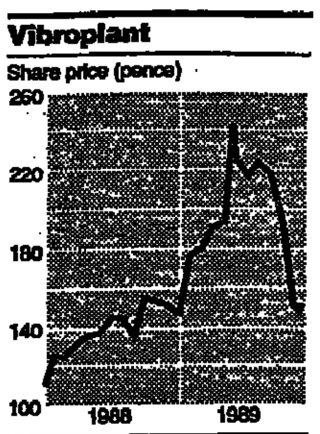
Vibroplant made an £11.7m rights issue in May and used that to fund acquisitions in the US, reduce gearing, and make its first takeover in the UK by buying the Britspace Hire portable accommodation hire fleet for £2.67m.

Mr Pilkington said gearing had been reduced to 52 per cent, but that might rise to 60 per cent by the year end. Only £4m of the group's borrowing was in the UK, the other £19m being in the US at a 9 per cent interest rate.

He said that while continued high interest rates would eventually depress business, Vibroplant was not as exposed as some of its more highly-geared competitors, and the harsh climate in construction might allow the group to make acquisitions at attractive prices.

In the US the group made two acquisitions: Arundel Crane Services in Baltimore in June for $900,000 and Indy Lift Company in Indianapolis in September for $600,000. Mr Pilkington said the purchases were in line with Vibroplant's strategy of "buying badly run companies cheaply."

US profits rose 50 per cent to £1.35m. The strongest growth was in Texas and California.



● COMMENT

The numbers from Vibroplant were at the top end of expectations. In the short term prospects appear good, shares climbed 4p to 152p and analysts upgraded their forecasts for full year profits to £14m or better. The former figure gives earnings of 20 for a p/e of 7.5. In the longer term the group looks in better shape than most of its competitors to weather whatever storms hit the UK plant hire sector and any discount wars which might follow. Its margins are better, its fleet new, its gearing low by the standards of a capital-intensive industry and its US side is producing strong results. However, it would be powerless to stop its share price, already low even relative to other plant hire companies, being pushed down further by bad news elsewhere in the sector. And that dampens its longer term investment appeal.

Dolphin acquisition and share placing

By Peter Berlin

DOLPHIN International, the car parking, property and advertising billboard group based on the Isle of Man, yesterday announced annual figures, a proposed change of name, an acquisition and a share placing.

The group has bought Lotus Advertising, an outdoor advertising contractor, for a total of up to £2.13m. That will consist of an initial payment of £1.88m satisfied by the issue of 9m ordinary shares, and a profit-related maximum of £250,000, also to be satisfied by a share issue.

Dolphin plans a placing of 4.85m new ordinary shares at 20p to raise £970,000, which will be used to reduce indebtedness and fund further acquisitions.

Group profits in the year to September were £1.2m, up from £937,000 in the previous 18 months. Turnover was £9.9m, against £7.7m.

Lotus is the fifth outdoor advertising company Dolphin has acquired since October 1988. The group proposes to change its name to Dolphin Media at its AGM next month.

Leigh buys colliery for maximum £17m

By Richard Tomkins, Midlands Correspondent

LEIGH INTERESTS, the West Midlands-based waste disposal group, is to tap a new source of possible landfill sites by buying the privately owned Clay Colliery, a coal and clay extraction company, for up to £17m in shares.

Last week Leigh blamed a slowdown in its rate of profits growth in the six months to September 30 on the delays it was experiencing in obtaining the necessary consents for its disposal operations.

Leigh's aim is to use the holes left by Clay's operations as potential landfill sites. Five of Clay's sites already have planning permission for waste disposal and one of them has a site licence.

Clay has a large number of sites in the Midlands, Scotland and Wales. Leigh believes many of them have potential for waste disposal operations, though it says it cannot guarantee that the necessary permissions and licences will be granted.

Leigh is paying an initial £8.5m for Clay through the issue of 2.95m shares, 1.43m of which will be kept by the vendors and 1.52m placed at 280p on their behalf with institutions.

Another £8.5m is payable if Clay, which achieved pre-tax profits of £1.68m in the year to March 31 1989, makes £4.2m over the two years to March 31 1991.

This tranche will be payable in shares or, if Leigh prefers, floating rate unsecured loan notes.

Leigh is also raising another £2.6m through a placing of 928,571 shares at 280p to eliminate Clay's bank debt and to cover the acquisition costs.

Its adviser is Kleinwort Benson.

Windsor back in black with £653,000

WINDSOR, the London-based international Lloyd's insurance broking group, has returned to the black in the year to September 30. Taxable profits were £653,000, against losses of £103,000 last time.

The result was achieved despite the inclusion of costs of £250,000 relating to underutilised accommodation, of which the board intends to make effective use in the near future.

Turnover was down slightly at £7.52m (£7.61m), reflecting the continuing soft insurance market. In response to the cost-saving programme, expenses were cut to £6.87m (£7.71m). Earnings came out at 1.57p per share, against losses of 0.62p last time. Having passed dividend payments in the previous financial year and the first half of the period under review, the company has proposed to pay a final of 0.5p.

Mr Stanley Taylor, chairman, said that management changes made in 1989 had increased productivity. He added that the company had announced the acquisition from Warringtons of a freehold property for a maximum £3.5m in shares. Windsor's net asset value will double as a result. Mr Taylor added that Warringtons' supportive ownership of 23.15 per cent of the company was to be welcomed.

16% advance at Property Partnerships

Increased contributions from both property investment and hotel operations meant Property Partnerships raised pre-tax profits by 16 per cent from £995,000 to £1.16m in the six months to September 30 1989.

Tax charge was £404,000 (£348,000) leaving earnings per 25p share up from 6.06p to 6.98p. The interim dividend has been increased to 2.25p (2p).

The board said that borrowings were low and as a result the company would not be significantly affected by high interest rates. Despite the current economic uncertainties, the board was hopeful that profits would again increase this year.

Property investment profits grew from £488,000 to £586,000 in the half year and a further increase was anticipated in the second six months.

The two hotels, Hotel Nelson and Hotel Norwich, traded successfully with profits up to £661,000 (£603,000). Bedroom occupancy levels remained high and in January, the group would be embarking on a programme, phased over three months, to refurbish 53 rooms in the Hotel Nelson.

FKI in £9m deal with ANI

By Andrew Hill

FKI, the electrical products group born out of the FKI Babcock demerger earlier this year, has doubled the size of its cutting tool business with the £9m cash acquisition of Osborn-Mushet Tools.

The company has bought Osborn – which manufactures in Sheffield and Warwick in the UK, and Toronto, Canada – from Aurora Group, the Sheffield-based company owned by Australia's biggest engineering group, Australian National Industries (ANI).

FKI said the purchase of Osborn, which designs and makes milling-cutters, taps and drills for the precision engineering industry, would help increase the export penetration of FKI's existing Clarkson International Tools subsidiary.

Clarkson has annual turnover of about £15m – out of group sales of some £800m – which will be doubled by the addition of Osborn.

Mr Eric Bowers, FKI's finance director, said yesterday: "Osborn is typical of the type of businesses we're looking at, with a strong market position, good margins and making good returns."

Hardy Oil & Gas rises 25%

IN ITS first set of results since joining the main market in May, Hardy Oil & Gas, the demerged holding company for the oil and gas interests of Trafalgar House, the UK building and shipping conglomerate, lifted its pre-tax profits 25 per cent to £2.9m in the six months to September 30.

The rise was substantially boosted by greatly increased receivable interest at £1.18m (£247,000).

This arose mostly from large cash balances held as a consequence of the capital restructuring involved in the setting up of the demerged company. There is no interim dividend.

Turnover rose to £12.8m (£11.48m), as did the cost of sales, from £4.1m to £5.12m. At the operating level, profits increased by £326,000 to £1.75m.

There is an extraordinary credit of £3.28m, relating to a net exchange gain from the short-term holding of foreign currency deposits at the time of the demerger. Earnings were 5.9p (3.7p) per share, or, after the extraordinary credit, 12.5p.

Since the year-end Hardy has agreed to sell Hardy Resources, which holds all the company's UK on-shore licences, to AmBrit International for an initial £3.3m.

Mr Douglas Baker, Hardy chairman, said that his company had strong cash flow from existing operations and that this would be augmented by the start-up of the Ravenspurn North gas field next year as well as by a combination of new exploratory drilling and development of existing field interests in the US.

He said that the outlook for the full year was encouraging, assuming that present oil prices persisted and that North American gas prices were maintained at their present favourable level.

JMD drops to £158,000

JMD Group, engaged in the provision of design services and the manufacture and sales of greetings cards, packaging and merchandising and distribution of novelty products, reported a decline in pre-tax profits from £172,000 to £158,000 for the half-year to June 30 on turnover up from £5.61m to £6.55m.

There is once again no interim dividend, but the board intends to recommend a payment for the whole year. There was no payment last year.

Earnings per share were 0.24p against 0.26p.

The results are the first to reflect the group's 1988 acquisition of Linden and Downpace, the giftware and greeting card businesses.

There is a warning that all divisions are being affected by the slowdown in the economy.

Higher pulp prices and interest rates hit Cropper

THE CONTINUING escalation in pulp prices and interest rates adversely affected James Cropper in the six months ended September 30 1989, and the pre-tax profit fell over 50 per cent.

And although pulp prices may have stabilised it will be difficult to improve margins in the second half, the directors warned.

They pointed out, also, that order books were shortening as measures to reduce inflation began to bite.

In the first half the order book of this paper and board maker was good. Turnover rose to £18.61m (£17.17m), but the trading profit declined and higher interest charges exacerbated the situation, leaving the pre-tax balance at £581,000 (£1.17m).

Earnings halved to 5.9p (11.3p) after a corporation tax charge of 17 per cent, but the interim dividend is held at 0.875p. Last year the total payment was 2.5p from pre-tax profits of £1.95m.

The half year also saw an extraordinary profit of £439,000 on the sale of the Crown Head Mill.

Building boosts Bett

WITH THE majority of profit coming from the building and ancillary services division, Bett Brothers has seen its pre-tax outcome advance from £1.52m to £4.35m in the year ended August 31 1989.

Earnings trebled to 18.86p (6.23p) and the final dividend is 3.95p to raise the total to 5.8p (3.85p).

The directors said they were encouraged by the current year's trading, but stressed that future results would depend on demand in the major areas of activity – residential, industrial, commercial and retail property development and investment – which were heavily dependent on the level of interest rates.

Development and investment both had an active year. The leisure division improved but was hit by high interest.

Wardell Roberts advances 59%

Pushing up turnover by 60 per cent to I£20.6m and maintaining its margins at 5.4 per cent enabled Wardell Roberts, the Irish-based USM-quoted distributor of snack and other foods, wines and spirits and merchandiser of tea and coffee, to record a 59 per cent increase from I£701,000 to I£1.12m (£1.06m).

All group companies contributed to the increase and the directors are confident of a good performance for the second half of the year.

Interest charges leapt from I£31,000 to I£233,000. Tax took I£280,000 (I£194,000) leaving earnings of 5p (3.1p) for the 1.1p (1p) dividend.

Britannia Security sells US data division for $39m

By Andrew Hill

BRITANNIA SECURITY Group is to sell its US data management division for $39.1m (£25m), halving borrowings and concentrating on the core security and alarm installation business.

The business, which manages and stores computer information for clients, is being sold to a new company formed by Pierce Business Archives, a US data storage group, for an initial $34.7m in cash. Further payments will be made after two and four years.

The sale will reduce borrowings by £25m, from about £46m, bringing gearing down to some 50 per cent.

Britannia's shares, which were hit by a downturn in 1988-89 profits last month, made up some of the lost ground yesterday, rising 10p to 125p on the news.

The company sold its UK data management business in June for £14.4m. The division included the Eurocrate crate hire business and a bonded storage and freighting service for the film world.

Mr Anthony Record, Britannia's chairman, said yesterday: "A year ago, we had just acquired Mather and Platt and Honeywell Shield [Honeywell's alarm division]. Because those acquisitions were so substantial, we made a decision that we couldn't do everything well and we would get out of data management and go hell for leather in the security industry."

Britannia will be left with its alarm business, which bought Mather and Platt Alarms about a year ago, and its activities in electronic security systems, electronic article surveillance and property services.

The group is also paying Mr Christopher Cameron, the founder and former owner of the US data management division, $8.6m in settlement of an outstanding promissory note of $10.6m.

In 1988-89, the US division made pre-tax profits of $2.57m – about £1.6m – out of group profits of £9.61m. Its net assets at the end of June amounted to $20.4m (£13.1m), after deducting $10.8m for Mr Cameron's promissory note, out of a group total of £38.5m.

Hewetson progress continues with 35% advance at midway

HEWETSON, the USM-quoted manufacturer, supplier and installer of raised access and hardwood floors, has continued its progress with a 35 per cent increase from £815,000 to £1.1m in the half-year to September 30. In the year to March 31, it more than doubled profits to £1.82m.

Turnover rose 52 per cent to £16.22m (£10.69m) with profits at the operating level at £1.28m (£930,000).

Earnings came to 8.37p (6.26p) basic and 7.14p (5.9p) fully diluted. The interim dividend is lifted 28 per cent to 1.6p (1.25p).

Mr Peter Price, the chairman, said that, with the market remaining buoyant, Hewetson Floors had seen continued growth in demand for raised access floors. Large contracts were won in all major regions of the UK, he said.

Bennett Windows was obtaining orders from a number of new customers, but was currently being affected by the reduced demand for new housing. Contract Flooring Sales, the carpet tile supplier, continued to perform well and to increase market penetration in the Midlands and the north.

Despite monetary constraints inhibiting demand in certain sectors of the building and construction industries, Mr Price was confident that the group would continue to make progress in the full year.

Unidare profit warning

By Nikki Tait

JOINING the lengthening list of companies warnings about a prospective fall in profits is Unidare, the Dublin-based cable and transformer maker.

The news caused the share price to drop and it finished yesterday down by 105p at 370p.

The directors told shareholders that they expected the heating side of the business to do no more than breakeven in 1989, against a £2m profit in the previous year.

The effect of this, combined with strike action earlier in the year and some recent adverse exchange movements, could leave the pre-tax profits total down from £5.8m to only £4m in the current year.

Unidare blames the shortfall in the heating division on "continuing extraordinary mild winter"; reduced demand levels in the UK economy, and the building sector in particular; and high interests. It says that sale volumes have reduced sharply.

It pointed out that three years ago, the division accounted for 90 per cent of group profits.

Merrydown lifted by good weather

MERRYDOWN Wine benefited from the exceptional summer to record an increase of 21 per cent in pre-tax profit for the half year ended September 30 1989.

On turnover ahead 18.5 per cent to £7.26m (£6.12m) the pre-tax balance moved up to £907,000 (£748,000). Earnings were 10.3p (9.07p) and the interim dividend is 1p (0.88p).

Mr Roy Hooper, chairman, said the exceptional summer was beneficial and cider sales stayed ahead of expectations.

On prospects, he said the second half depended on the important Christmas trade. It was too early to predict the likely outcome but he warned of consumers and the trade feeling the effect of high interest rates.

In the half year Merrydown's interest charge shot up to £106,000 (£17,000).

Sales of bottled apple juice were excellent; fruit wines and agency products were not so seasonally affected but performed satisfactorily.

West Country Honey Farms (acquired in January) made a valuable contribution and held out much promise for future growth, said Mr Hooper.

The agreement with Showerings for the sale of Merrydown Vintage Ciders into a far larger number of public houses and hotels will start to benefit in the New Year. Results for the current year, however, were unlikely to be materially affected.

In September the brand name Dorothy Carter was acquired. Its jams, pickles, chutneys and sauces were now being produced at West Country Honey and sold alongside West Country and Martlet products.

Tex expands to near £1m but disappoints market

By Ivor Duce

THE MARKET was disappointed with the interim results from Tex Holdings yesterday expecting something more than the 37 per cent increase from £659,000 to £905,000 in pre-tax profits for the six months to end September. The shares were marked down 12p to 195p.

Tex, originally Tex Abrasives, is now divided into three divisions, plastic mouldings, engineering and boards and panels – a completely different animal from that which came to the market in 1971. The original abrasives business was sold to its Portuguese abrasives supplier in August.

Despite the economic downturn Tex expects to continue to move ahead in the second six months. The plastics division will benefit from a full half-year's profitability from CI Polymers, which was making losses when acquired last April but which has been successfully turned round.

And while there has been reduced demand for BSP's piling for the housing market, the purchase of a further pipe mill, capable of producing 84 inch pipe enabling it to compete in the water and sewerage sector should benefit the company in the second half and promises continued growth in the future.

In boards and panels, Quinton & Kaines looks to have combatted the effects of the credit squeeze by extending its product range.

Allowing for the events of the past few months, analysts are looking for Tex to produce pre-tax profits of around £2.2m for the year, compared with £1.5m previously.

First-half earnings per share were 11.4p (9.1p), while the interim dividend is increased from 2.5p to 3p.

Chamberlin & Hill up 31% to £1m

Chamberlin & Hill, the foundry operator and electrical cable manufacturer, achieved a 31 per cent improvement in pre-tax profits from £774,000 to £1.02m in its first six months.

Turnover in the period to September 30 moved ahead from £7.08m to £9.75m.

After tax of £356,000 (£271,000), earnings worked through at 9.32p (7.1p). The interim dividend is lifted 40 per cent from 1.25p to 1.75p.

Mr John Eccles, chairman, said that the fall in housebuilding activity had adversely affected the performances of both Fred Duncombe, the maker of door, gate and window furniture, and Fitter & Poulton, the maker of electrical conduit fittings and accessories.

He added that demand had been consistently high throughout the rest of the group and that most units had operated well.

Oriflame advances to £4.46m

Oriflame, holding company for an international cosmetics group, saw interim profits for the half year ended September 30 rise from £3.37m to £4.46m on sales down from £31.57m to £24.52m.

Tax took £447,000 (£334,000), leaving earnings per share of 7.8p (5.9p). An increased gross interim dividend of 4p (3.5p) was declared.

Supported by high cash resources the company is now looking for new investments to enlarge its base even though this will affect the short term growth in operating profit.

Moran loss £1m and no final

AS FOREWARNED in May, Moran Holdings, the property developer and tea planter, reported a loss for the year ended June 30 1989. In the event, there was a sharp turnround from a £362,719 profit to a pre-tax loss of £1.18m.

However, contrary to the hopes expressed in the interim statement, the company declared no final dividend. This left an interim of 1p, to compare with the previous year's total of 3p.

Losses per 10p share were 27.56p (3.62p earnings). Turnover was £27.66m (£25.54m).

Mr Colin Gordon-Smith, the chairman, said that the effect of high interest rates on mortgages particularly hit Moran's residential property interests in London's Docklands and south-east London and the company has had to finance unsold properties for longer periods than anticipated.

The company's joint residential, office and shop development in Manchester with Trafford Park Estates was proceeding to programme and sales would start early next year.

Freight forwarding and travel also suffered a setback in theyear, but most companies in this division were now trading at improved levels. Tea production and sales achieved better results and future prospects remained encouraging, Mr Gordon-Smith said.

Overall, current year prospects were thought to be more encouraging. Mr Gordon-Smith said that while he was more hesitant, in the light of the abrupt downturn of the past 12 months, to predict this year's results, there were definite signs of improved margins, particularly in tea, where a substantial improvement was expected.

Bremner profits fall to near breakeven at £39,000

PRE-TAX profits at Bremner, the Scottish stockbroking and property investment company which has been rocked by boardroom disputes for several years, were £39,000 for the year to May 31.

This compares with the £187,000 reported for the previous 16 months when the company also had interests in retailing and the factoring of meteorological balloons.

Turnover was £483,000 (£780,000 for 16 months), as was gross profit in the absence of any cost of sales (£173,000).

Earnings were 0.19p (0.55p for 16 months) per share, though after extraordinary losses of £314,000 (£408,000), losses came to 2.48p (3.1p) per share. There is no dividend for the year (0.25p).

In June Mr James Rowland-Jones returned as chairman 17 months after being voted out of the position.

This followed shortly after a DTI inquiry had decided that there had been no undeclared concert party when Malaga Investments had taken a 27 per cent stake in 1987. The inquiry had been requested by Mr Rowland-Jones.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

London Merchant Securities Deferred shs. (Section: Trusts, Finance, Land).
Millwall Holdings (Leisure).
Sempernova (Third Market).
Volkswagen AG Ord. DM50 (Motors).

James Wilkes doubles size with Floform purchase

By Don Farrell

IN A £15m deal, James Wilkes is substantially expanding in size with the acquisition of Floform into its engineered products division.

On a pro forma basis the enlarged group will produce a pre-tax profit of £5m and earnings of 19p per share, lifting net tangible assets of £14.48m.

The consideration is adjustable if warranted profits are not achieved. It will be met by the issue to the vendors of almost 7.32m shares which can be clawed back by Wilkes holders through a one-for-one rights at 205p; the company is also issuing 845,493 shares on the same terms.

These issues will double the capital to £16.33m.

The deal is subject to shareholder approval.

Wilkes says the purchase is in line with its strategy of acquiring companies with a strong position in niche markets.

Floform, which is sold by Hollis Industries, is a major supplier of spark-plug electrodes to international automotive markets and of heat sink components to international semi-conductor markets.

It reckons to have some 15 per cent of the worldwide market in spark-plug electrodes, and 75 per cent of its output goes to a US-based customer.

It holds 10 per cent of the worldwide heat sink components market, the bulk being taken by US and European customers.

Floform also supplies cold-formed copper injection sleeves for diesel engines, and cold-formed aluminium components for the aerospace and equipment handling industries.

The Wilkes group, including Avon Transmission Services which was acquired in June for £7m, continues to trade well and for 1989 is forecasting a pre-tax profit increase from £1.32m to not less than £2.3m.

This excludes surplus on sale of a property (mentioned in the interim report).

On that basis the final dividend, payable in May, will be 4.75p per share on the enlarged capital, and increase the total from 7.75p to 9p.

Wilkes engineered products division is concerned with the manufacture of high-speed steel wire and associated products, the production of printing and packaging machinery, and the manufacture of transmission components and the reconditioning of gearbox transmissions.

Through its other division – publicity and promotional products – the group is the largest maker of drinking mats in the world.

The vendors of Floform have warranted that profits before interest and tax for 1989 will be a minimum £2.8m on turnover of £16.7m, compared with £2.3m and £14.8m respectively in the previous year.

Of the 1988 sales, automotive electrodes accounted for £9.2m, semi-conductor components £4m, injector sleeves £1.2m and others £400,000.

Wilkes believes there may be opportunities to develop Floform's orbital cold-forging business; in particular much of the necessary cutting machinery required to finish the forged products is available at Avon and could be made available.

SHARE STAKES

Bestwood: JH Furlong, a director, has acquired 220,586 ordinary at 53p per share, lifting the holding to 2.91m (8.01 per cent).

British Assets Trust: Sun Life is, since its recent purchase of 100,000 ordinary, beneficially interested in 19.2m (5.0008 per cent).

British-Borneo Petroleum Syndicate: IEP Securities, a vehicle of Sir Ron Brierley, has sold its holding of 585,000 stock units (13 per cent).

Castle Communications: Mr TR Shand, a director, has disposed of 55,000 ordinary at £4.25 per share, reducing his holding to 760,000 (15 per cent).

Chelsea Artisans: Mr Roger Leach, a director, has acquired 22,000 ordinary, raising his holding to 659,000 (26.7 per cent).

Chillington Corporation: Mr Konrad Patrick Legg, a director, has acquired 12,500 deferred shares at 90p apiece, increasing his holding to 4.68m (49.41 per cent).

Compco Holdings: The trustees of the MacTaggart Third Fund, a charitable trust, acquired 125,000 ordinary (6.04 per cent). Also Target Financial Authorised Unit Trust has disposed of its entire holding of 197,201 ordinary (9.54 per cent).

Countyglen: Mr John Teeling, a director, has disposed of 340,000 ordinary and Mr Peter Gilman has disposed of 100,000 ordinary, reducing their respective holdings to 579,299 (15.46 per cent) and 200,000 (5.33 per cent). The latter's shares are held in the name of GMI Landmark Management.

Daily Mail & General Trust: Rothermere Investments is now interested in 2.62m ordinary (52.7 per cent) following the acquisition of 4,350 at £59.60 per share and 2,600 at £59.

EFM Dragon Trust: British Coal Staff Superannuation Scheme and the Mineworkers Pension Scheme both hold 32.55m ordinary, making an aggregate holding of 20.87 per cent.

English & Caledonian Investment: Following recent disposals, British & Commonwealth Holdings has a beneficial interest in 1.08m (23.97 per cent).

English & Overseas Properties: Scottish Amicable Investment Managers is now the beneficial owner of 408,000 ordinary (7 per cent).

Erostin Group: Since the sale of 200,000 ordinary made by John Govett & Co on behalf of clients under its discretionary investment management, the aggregate number of ordinary now stands at 3.82m (17.38 per cent). The sale has reduced Govett Strategic Investment Trust's holding to 3.43m (15.61 per cent).

Fife Indmar: Aetna Smaller Companies Dividend Unit Trust is now interested in 885,369 ordinary (5.74 per cent).

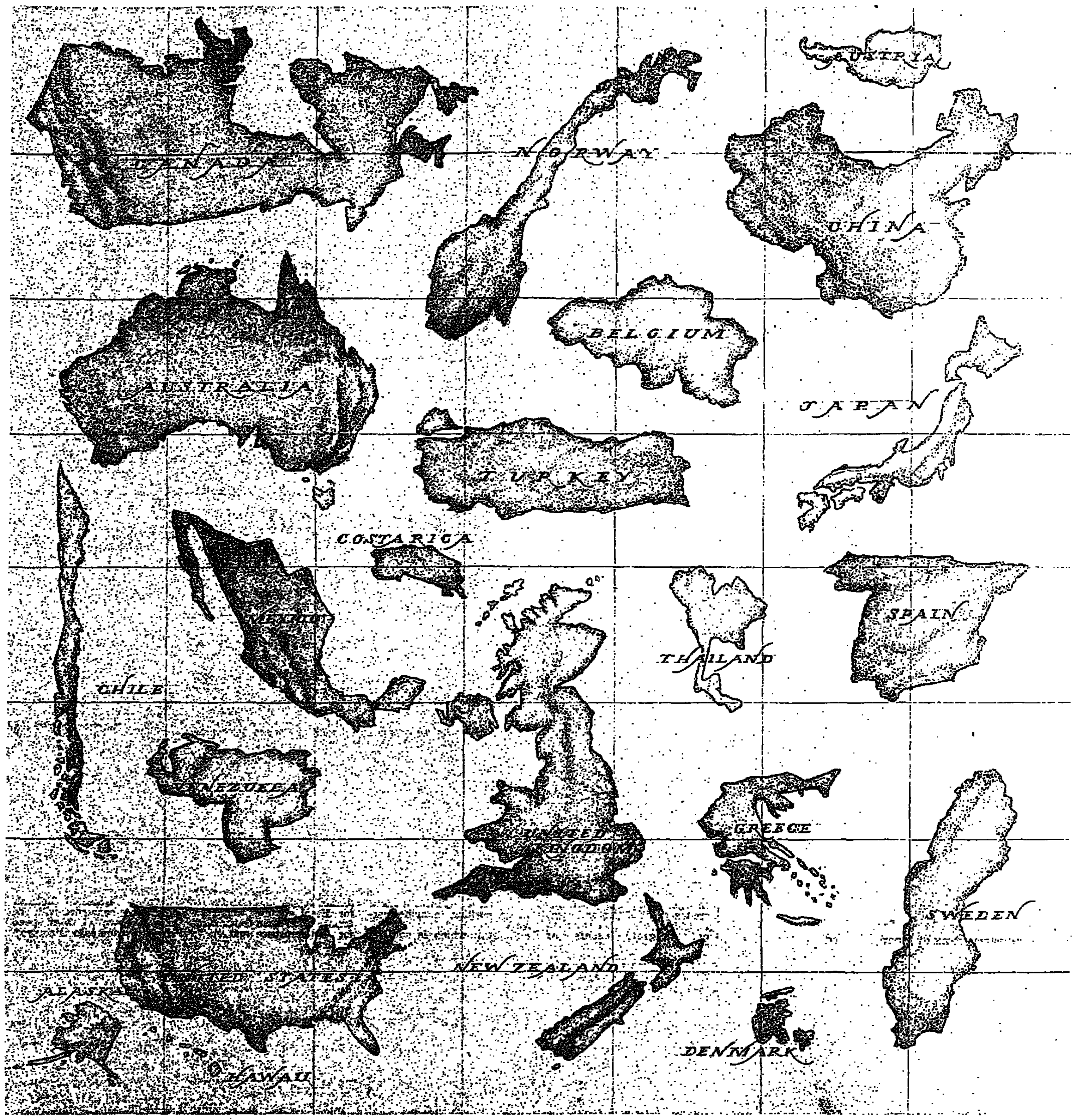
Group Development Capital Trust: CS Investment has increased its interest to 4.77m ordinary (20.13 per cent). The increase arises from the exercise of voting control by the wholly owned subsidiary CS Investment Management on behalf of discretionary investment management clients.

Hall Engineering (Holdings): Mr AM Smith, a director, has disposed of 32,000 ordinary at £1.93 per share.

How Group: How Group Trust Company has acquired a further 55,000 at 70p per share, raising its holding to 2.68m (6.8 per cent).

Imo: APA Europe Investments has sold its entire holding of 2.58m shares (10.17 per cent). Hunter One has acquired 3.01m (11.84 per cent).

Kakuzi: Eastern Produce has acquired 4,266 ordinary and now holds 4.4m (33.7 per cent). The shares are registered in the names of Eastern Produce Africa (1.11m), Eastern Produce Kenya (993,338), and Bordure (2.3m).



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TECHNOLOGY

John Griffiths describes Lancia's electronically-controlled variable transmission for its Y10 model

A belt for small sizes

Lancia, part of the Fiat group, is about to become the first European vehicle maker to offer an electronically controlled continuously variable car transmission (ECVT).

The transmission, based on steel belts and variable diameter pulleys, provides an infinite number of ratios between standstill and maximum speed. It is claimed to be the most stress-free, simple-to-operate transmission available, as well as avoiding the fuel consumption penalties imposed by hydraulic drag in conventional automatic gearboxes.

Lancia executives say that in Europe's capital cities, up to 25 per cent of the Lancia Y10 small hatchbacks sold will be the ECVT version - despite the transmission adding nearly 10 per cent to the car's price compared with a manual model.

Lancia sold 135,000 Y10s in 1988 – 110,000 in Italy – and expects to increase the total to 150,000 this year.

Fiat and Ford have made limited sales during the past two years of other small cars with a simpler version of the transmission using a hydraulic clutch. Fiat, however, plans to introduce the electronic transmission on small capacity versions of its Uno hatchback next year.

The ECVT is regarded as a significant advance over the hydraulic clutch transmission because it uses a sophisticated, electro-magnetic clutch and employs engine and accelerator sensors to control the transmission's overall operation.

The clutch represents a big departure on car design. The car consists of a mass of iron filings contained between a (driving) drum connected to the engine flywheel and a (driven) plate attached to the transmission.

When the car is at rest with the engine idling, the loose iron filings allow the drive and driven parts of the clutch to rotate independently of each other. But as soon as the accelerator is pressed, an electric current is fed progressively into the iron filings. The magnetised filings then coagulate into a solid mass, thus taking up the drive and setting the car in motion.

Lancia and Fiat executives, together with executives from other car companies, profess a belief that the ECVT concept will eventually supplant all other forms of transmission.

But considerable obstacles need to be overcome before it can be applied to powerful cars. One Lancia official suggests that it could take five or six years, for example, before a sufficiently strong ECVT becomes available for mid-range cars like the Lancia Dedra.

The Fiat group does not manufacture the transmissions. It buys them from Fuji, the Japanese industrial group. Fuji's Subaru car division has just launched the ECVT in its own small hatchback, the Justy.

Subaru is a manufacturing licensee of Van Doorne Transmissie (VDT), the Dutch-based company which developed the core technology for the system. Fiat is a major shareholder in the company.

Subaru has developed the electronic and electro-magnetic aspects of the transmission, but has licenced from Van Doorne the metal drivebelt and pulley system which allow the transmission to work.

In Europe, collaboration between Fiat, Ford and VDT takes the form of production by Ford of the simpler transmission at its Bordeaux gearbox production facility, for use by itself and Fiat. Like Subaru, the transmissions use belts supplied by VDT in the Netherlands.

Until last month, the simpler CVT had been offered only on 1 litre versions of the Ford Fiesta and Uno. It is now available on Ford Escort, Orion and new Fiesta models of 1.4 litres. The Fiat Tipo and Uno also offer them.

The CVT provides only forward and reverse "gear lever" positions and has no discernible gears. Road speed is altered by a system of steel belts and variable diameter pulleys which allows the engine to rotate at a constant speed in its most efficient operating ranges for power or fuel economy.

The engine's constant drone provides an initially disconcerting experience for the driver, but this is usually adjusted to easily. Apart from simplicity of operation, other benefits of the transmission include light weight, even compared to a manual gearbox.

The relatively low total sales volume – 25,000 – achieved for the European cars up to the middle of this year stems from early technical difficulties experienced by Van Doorne with making the belts in large quantities.

Initially Van Doorne was supplying complete CVTs to Ford and Fiat, but it was always intended that most production would be by Ford at Bordeaux. The belt difficulties meant that output from Bordeaux did not start until the spring, and then at the rate of only 70-80 a day.

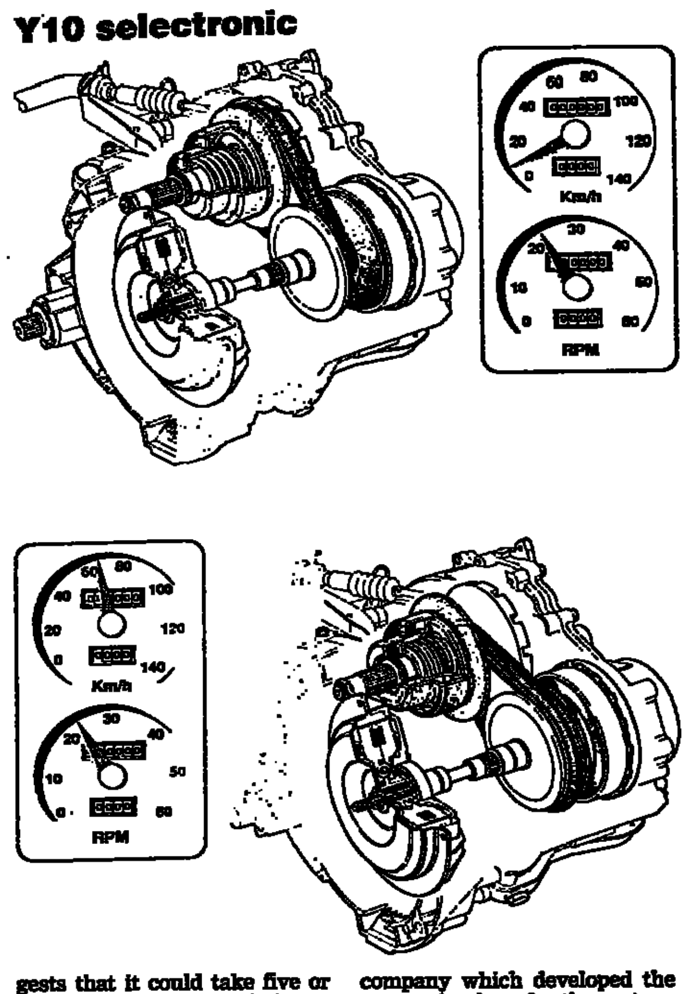
Thus it is only now, with output approaching 500 a day, that CVT cars are becoming available in sufficient quantities for it to be worth Ford and Fiat promoting them. It is expected that marketing drives for the cars will gather pace over the next year.

Van Doorne, which employs more than 220 at its Tilburg plant in North Brabant province of the Netherlands, is expecting total demand for drive belts to rise to 300,000-400,000 a year by the early 1990s.

Ford is also empowered to sell the transmissions to other manufacturers, and at least one other volume car maker in Europe is said to have concluded a supply agreement.

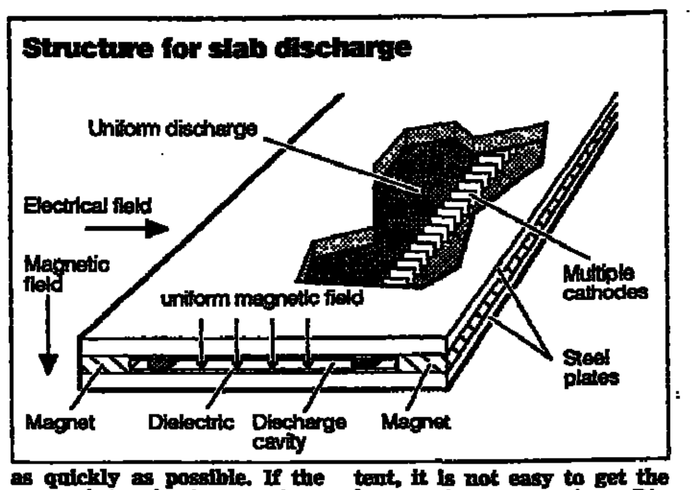
The Bordeaux facility is claimed to have the capacity to meet any foreseeable demand. The price premium for the transmissions, currently around £600 in the UK, is likely to reduce as economies of scale are realised.

Y10 selectronic



Laser beam's test of strength

Structure for slab discharge



When the laser was discovered, its potential was thought to be enormous. It has never come up to expectations, however, mainly because of cost. The laser source is priced at about $80 per watt. A power of several thousand watts is needed for laser welding on car assembly lines, an application that automotive engineers dream about.

The strength of a laser weld is so high – tests have shown that the metal breaks before the weld – that the cost-effective introduction of laser welding technology into the automotive industry could completely change the way cars are designed and built. Laser welding is, however, becoming less of a pipe dream, according to John Macken, a US inventor.

He told the International Symposium on Automotive Technology & Automation, held in Wiesbaden earlier this month, that his design of a high power carbon dioxide (CO2) laser will cost little more than a third of the price of the lasers available today. With patents pending for its various features, the Macken design eliminates the need for a sophisticated cooling system (which accounts for about 50 per cent of costs and limits the power available).

A laser beam is produced by "exciting" a gas mixture and "gathering up" into a beam the pulses of energy released during the process. With a CO2 gas mixture, 80 per cent of the power put into the electric discharge excitation process is converted into waste heat which must be removed as quickly as possible. If the gas mixture's temperature rises above 300 deg C, its operation is severely affected.

In early CO2 lasers, the electrical discharge is applied in a cylindrical tube and the tube wall is fitted with a water cooling system which removes the heat from the laser gas mixture. An 80W laser requires a tube length of 1 metre because of the heat that is removed.

To avoid the tube becoming unmanageably long for higher powers, it can be folded back several times. Complicated optic systems are then required. More recent lasers avoid this problem by harnessing the convective properties of a fast-moving gas.

If the laser mixture is pushed at high speed through the electric discharge tube, it removes the heat effectively. It can then be cooled by passing it through a heat exchanger and recycled.

However, due to its low pressure and high helium content, it is not easy to get the laser mixture moving. Big blowers are required. In the end, the cost of this design is comparable to that of the earlier one. An advantage is that the size of the equipment is greatly reduced.

Macken's design overcomes the heat removal problem by spreading the discharge out between two flat plates, thus providing two relatively large surfaces from which the heat can be removed by a simple system of flowing liquid coolant (see diagram). This sounds an obvious solution but it is breaking unchartered ground in the world of physics.

Electrical discharge has a tendency to form into a cylindrical cross-section. In a cylindrical volume, the discharge is naturally homogenous and stable but between two flat plates the cylindrical tendency means that it becomes unstable. Macken has discovered that a magnetic field superimposed on the discharge can have a positive effect on the stability of its behaviour. A carefully designed conductor configuration combined with exactly the right strength of magnetic field can result in a perfectly distributed, homogenous and stable discharge in a flat cavity.

Macken admits it has been a process of trial and error to arrive at the exact solution. The result is a laser of comparable power and size to a fast-flow design but without the complexity required to circulate the gas. Using a cavity 8mm deep and 21cm wide, a laser of more than 1,100W per metre can be produced.

To increase the output power, Macken stacks together some of the thin cavity systems and adds the outputs together. Macken's company, Lasercraft, has produced five lasers from 150W to 1kW.

The finishing touches on a 4kW laser are also under way. One has been installed by US aerospace company Rockwell for laser radar systems because the Macken design is found to be a good amplifier for the precision frequency laser beam this application demands.

Rockwell is an exception, though, and Macken will not make the product available to industry until next summer. Even then, he emphasises, they will only be experimental models. However, the proven product will be available on a commercial basis 12 months later. A 4kW model will cost between $80,000-$120,000 compared to the $220,000-$340,000 for a conventional design, he says.

Anna Kochan

Slow and steady radio links win the race

A SYSTEM of linking two computers by radio instead of cable has been launched by Scada Systems of Hendon.

The system became possible after changes in government regulations and the falling cost of microprocessors. The regulations now allow low power radios to operate without a licence. Using 500 mW UHF, computers linked by radio can be 13 miles apart.

Because cable can transmit data faster than what is allowed on radio, Inder Panesar, who developed the system for Scada, invented a buffer which stores data from the computer and transmits it over the radio at a slower rate. At the far end, the radio unit reconstitutes the data at the right speed for the computer.

Walter Toubkin, managing director of Scada, says that with the radio link a personal computer can obtain information from a mainframe two or three miles away. Information can also flow in over the radio while a computer is in use. Scada says that up to eight pairs of computers can be linked by radio on the same site without data collision.

Installing radio is quicker and cheaper than cable. A system monitoring the River Tywi in Wales for temperature, conductivity, acidity and dissolved oxygen cost less than £2,000. Other systems control water pumps at Folkestone and chalk crushers at a cement works.

Minisig, of Aberystwyth Science Park, has devised a means of receiving a 1 mW VHF signal from 25 miles away. Its system monitors outlying sewage plants in Northumberland. VHF can travel round corners and is better than UHF for hilly country.

The heart of the low power, long distance VHF system is its use of a narrow bandwidth. It is designed to carry only a small amount of information, which can be transmitted slowly. If readings are taken every hour, there is time for several outstations to report readings in turn. The receiver uses algorithms to distinguish their signals from background noise. Since the power is so low, outstations can keep working indefinitely on batteries charged by the sun.

David Spark

FT LAW REPORTS

Partner's move not tax deductible

MACKINLAY (HM INSPECTOR OF TAXES) v ARTHUR YOUNG McCLELLAND MOORES & CO

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): November 23 1989

RELOCATION expenses paid to a partner by his firm are not deductible when computing its taxable profits though the motive for the payment was to benefit the partnership, in that it was not made exclusively for partnership purposes but was to reimburse the partner's personal costs in setting up his home.

The House of Lords so held when allowing an appeal by the Inland Revenue from a Court of Appeal decision that relocation expenses paid to partners in Arthur Young McClelland Moores & Co were deductible from the firm's profits for tax purposes.

Section 130 of the Income and Corporation Taxes Act 1970 provides: "... in computing the amount of the profits or gains to be charged under ... Case II of Schedule D, no sum shall be deducted in respect of – (a) any disbursements or expenses, not being money wholly and exclusively laid out or expended for the purposes of the trade, profession or vocation."

LORD OLIVER said that Arthur Young was a firm of chartered accountants with 95 partners, and offices in various parts of the UK.

The partnership was administered by an executive committee of eight partners under the chairmanship of the senior partner.

It was necessary from time to time to request individual partners to move from one part of the country to another. To make that more acceptable the executive committee paid relocation expenses and disturbance allowance.

The present appeal concerned £5,446 and £3,122 relocation expenses paid to two partners, Mr Wilson and Mr Cooper, during 1981-82.

The firm claimed to deduct those sums as allowable expenses in computing taxable profits. The inspector disallowed the claim.

Special commissioners allowed the firm's appeal. They held that the partners moved purely for business reasons, and derived no personal benefit; and that the executive committee was motivated solely by benefit to the partnership practice.

It was plain that in so holding the special commissioners regarded the firm as an entity separate from the two partners, and looked solely at the advantages to the firm in relocating them.

The question was whether that was a permissible way to test whether expenditure was exclusively for purposes of the partnership practice.

Mr Justice Vinelott allowed the Revenue's appeal (*[1986] 1 WLR 1468,1474-1475*).

His analysis of the assessment of partnership profits could not be improved on and was adopted.

He said there were three stages. First, the profits of the firm, not of the individual partners, must be ascertained.

The firm's income was then treated as divided between the partners. That was the second stage.

Tax was then calculated according to the circumstances of each partner, after taking into account personal allowances, reliefs or deductions. When the tax exigible in respect of each share of the partnership income had been ascertained, the total tax payable was calculated. That was the third stage.

Mr Justice Vinelott observed that had Mr Wilson and Mr Cooper been sole traders and moved residence to enhance their professional interests, the expenditure incurred could not have qualified as expenditure for the purposes of the practice.

In moving to new residences, whatever their motives, they could not possibly be said to be acting as accountants. They would simply be individual citizens establishing private residences in places convenient to them.

The Court of Appeal reversed Mr Justice Vinelott and restored the special commissioners' decision.

After contrasting the position of the individual sole trader, Lord Justice Slade said that where payer and beneficiary were not the same it was possible to evaluate the payer's objects in incurring expenditure seperately and distinctly from those of the beneficiary.

He said proper application of section 130(a) of the 1970 Act required the Revenue to ascertain the purpose of the expenditure at least primarily by the partnership's "collective purpose" in incurring it; and that the authorities showed that in computing profits for tax purposes, "a partnership is regarded as an entity distinct from its members: see for example *Heastie v Veitch & Co [1934] 1 KB 535* ..."

There was a confusion here.

In *Heastie* it was remarked that a partnership was treated for tax purposes as a separate entity from individual partners – at stage three of Mr Justice Vinelott's analysis. But there was nothing in that decision or other cases to justify a conclusion that it could be so treated at stage one.

The Court of Appeal allowed itself to be confused and led astray by extraneous factors which did not have any legal significance.

First, it appeared to have been influenced by the sheer size of the partnership and to have considered that an element of personal benefit might be taken into account in the case of a small but not a large firm.

Partners were partners, however numerous. Mere numbers could not justify attribution of a "collective purpose" unjustified in the case of a small partnership.

Second, some confusion had been caused by the mechanics of payment, resolved by the executive committee and paid on its order – which made it easier to regard reimbursement and expenditure as separate transactions.

Mr Park for the firm submitted that the purpose of the payment was not to pay for removal expenses. It was to nullify the disadvantage the partners suffered as a result of having paid the expenses themselves, and the only motive for nullifying that disadvantage was to secure their concurrence in moving in partnership interests.

That was not accepted. On that analysis the cost of a holiday to convalesce after illness would qualify as deductible so long as it could be established that the "collective purpose" of sanctioning partners was to further partnership business.

There was no warrant in statute or authority for the concept of collective purpose. It could not make the slightest difference whether a partner incurred expenditure out of his own pocket and recovered it from partnership funds, or drew the money directly from partnership funds in the first instance. There was only one relevant expenditure.

A third factor which led to confusion, at least in the special commissioners' minds, was the partners' initial unwillingness to move.

That could not possibly be a relevant consideration in ascertaining whether moving costs were exclusively for partnership purposes. The expenditure served the same purpose whether or not partners wanted to move.

Finally, confusion was caused in the Court of Appeal by analogy with the position of employees. The analogy was attractive, as was the suggestion that "the reality" of the situation rendered absurd any distinction between, for example, senior employee and junior partner.

The distinction was not only legal but real. An employee had no interest in the firm's property or profits. In general money laid out to secure continued loyal service was referable solely to the profession in which the workforce was employed and was accordingly deductible.

A partner, on the other hand, was in a quite different position. What he received out of partnership funds was brought into account in ascertaining his share of the profits, except in so far he could demonstrate that it was reimbursement for sums expended by him on partnership purposes.

The question was whether expenditure on a partner's moving expenses was laid out not just partly, but "exclusively for" the purposes of the partnership business.

That could not be answered simply by ascertaining the motive with which the move was undertaken.

It was inescapable that the expenditure was intended to serve the partner's personal interests in establishing his private residence. It was not exclusively for purposes of the partnership practice.

The appeal was allowed.

Their Lordships agreed.

For the Revenue: Robert Carnwath QC, Christopher McCall and Alan Moses (solicitor, Inland Revenue).
For the firm: Andrew Park QC and David Goy (McKenna & Co).

Rachel Davies
Barrister

Moscow set to buy up to 3.6m tonnes of EC wheat

By Tim Dickson in Brussels

BETWEEN 3.3m and 3.6m tonnes of European Community wheat are likely to be sold to the Soviet Union as a result of deals already struck or currently being negotiated with the European trade.

The moves are the first by Moscow in the EC wheat market since the current cereals campaign started in July, though *two weeks ago the* Soviets concluded a contract for 1.2m tonnes of UK barley.

The sales of wheat are all from the so called "free market", purchased by traders at the guaranteed EC price and sold on cheaply with the aid of export subsidies, or "refunds". Free *market* operations should be distinguished from "intervention" sales where the customer buys stock from the EC's intervention stores.

According to one market expert last night the Soviets have already agreed to buy around 1m tonnes of UK wheat at between $146 and $147 a tonne. The terms are that the moisture content should be 14.5 per cent and the protein content 11.5 per cent.

In addition there is agreement on 300,000 tonnes of Danish wheat at a price of $148 a tonne.

Still to be decided on are a quantity of 2m tonnes of French wheat – at a price yet to be fixed – and a possible 200,000 to 300,000 tonnes of German wheat.

It was understood last night that the traders involved in the sales have not yet applied to the European Commission for the refunds needed to bridge the gap between the European price and the price agreed with Moscow.

A Commission official said last night that the market was currently "quite firm" given reports that the US crop might be lower than originally expected and the fact that the US had already sold more than two thirds of the 34m tonnes which it planned to dispose of on world markets in the current campaign.

EC stocks of wheat were just 2.9m. tonnes at the start of this season thanks to buoyant free market sales last year. They are thought to be around 2.1m tonnes at the moment following the disposal of around 500,000 tonnes in food aid and 240,000 tonnes of exports.

● The Soviet grain harvest for this year is up to 210m tonnes but state procurements are down to less than 60m tonnes, the Communist Party daily Pravda *said on Monday,* reports Reuter from Moscow.

That means the state has purchased less from farmers than last year, when procurements were 61m tonnes with a disappointing grain harvest of 195m tonnes.

"In spite of the fact that the production of grain in the present year amounted to about 210m tonnes, the sales to the state were less than 60m tonnes," Pravda said. "Earlier and with a smaller gross harvest, purchases were considerably greater," it added.

The 1989 harvest figure of 210m tonnes, although not final, was slightly up from an estimate of 208m to 209m tonnes made last month by Mr Nikolai Belov, the deputy chairman of the Soviet statistics committee.

Pravda offered no explanation of why the state had purchased less grain from farmers despite the better harvest and the introduction of a new programme this year which offered farmers foreign currency for above-average production.

Fishermen face another bleak year

By Tim Dickson

NORTH SEA fishermen face *another bleak* New Year with the now certain prospect of deep cuts in European Community catch limits for 1990.

The issue was not on the formal agenda of yesterday's EC Fish Council in Brussels but Ministers were obviously mindful of the tough negotiations over quotas which will take place next month.

The European Commission has yet to make its proposals – they will probably be decided by the middle of next week – but it is already clear that the recommendations of the scientific experts are for sharp reductions in the so-called Total Allowable Catch (TAC) for several white fish species. It is understood, for example, that Mr Manuel Marin, the EC's Fisheries Commissioner is being urged to cut the North Sea Haddock TAC from 68,000 tonnes to 50,000 tonnes, while cod and saithe (coley) TACS appear to be in line for similar treatment.

The expectation in Brussels is that the Commission – increasingly concerned that too many boats are chasing too few fish – will stick close to the scientific guidelines and will adopt a tough stance in discussions with the member states. Nor can hard-pressed Scottish and English fishermen – already reeling from a 20 per cent cut in cod catches and a 60 per cent cut in haddock quotas this year – expect much leeway in the negotiations from their *Minister.*

Mr David Curry, the UK's junior Fisheries Minister, said yesterday that the Government was in consultation with fishing industry representatives and that their views would be communicated to Brussels. But he added: "I *can't pretend that non-existent* fish exist."

In an atmosphere akin to the calm before the storm, the Fisheries Ministers of the 12 yesterday agreed the less controversial question of guide prices for key species in the coming year. These are impor*tant in that they determine the* withdrawal prices to be paid as compensation should market prices fall below a certain level – but they represent much more of a safety net than, say, the agricultural prices set in April next year.

The main change to the *Commission's proposal was a* reduction from 17 per cent to 11.5 to 13.5 per cent in the price cut for squid – a key species for the Mediterranean member states. The other contentious item was tuna – the subject of past struggles – but the 1 per cent reduction tabled by *Mr Marin* went through in the end.

Cocoa deposit rises cancelled

TWO PLANNED increases in the margins on the December contract for cocoa on the London Futures and Options Exchange (Fox) were cancelled yesterday, writes David Blackwell.

The exchange said that in view of the continuing decline in the open position on the contract and the amount of cocoa certified for grading so far this month, it was cancelling yesterday's planned margin rise to £600 a tonne and the move to 100 per cent of the contract price next Tuesday.

Margins had been increased steadily from the normal £40 a tonne because of fears that a huge amount of cocoa would have to be delivered onto the terminal market at the expiry of the December contract. Since the programme began the open position has fallen steadily to 15,000 lots (10 tonnes each) – still a large amount.

Traders said the exchange's action reflected reduced concern that the December contract would *face* liquidation problems.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−5,800	to 42,775
Copper	+3,350	to 118,000
Lead	−4,000	to 23,275
Nickel	−1,484	to 2,316
Zinc	+3,275	*to 83,050*
Tin	−115	to 7,680

Indonesia and Grenada continue nutmeg cartel

By Canute James in Kingston, Jamaica

INDONESIA AND Grenada, the world's largest producers of nutmegs, have agreed to continue their three year-old cartel which was threatened earlier this year when Indonesia sold the spice below agreed minimum prices.

Officials of the Grenada Co-operative Nutmeg Association said that after discussions with the Indonesian producers in Jakarta, there had been an agreement to restore the cartel's pricing policy.

They said Indonesia would sell nutmegs at 5 per cent above the agreed minimum, while Grenada would sell at a 10 per cent premium over the minimum. Indonesia produces 70 per cent of the world's nutmegs, while Grenada accounts for 25 per cent.

Indonesia is the major supplier to the US and Asia, and shares the European market with Grenada.

Under the agreement creat*ing the cartel, Indonesia* undertook to sell its high quality nutmegs between $6,800 and $7,000 a tonne, while low quality supplies were to be sold between $1,000 and $1,200 a tonne.

The Grenadians agreed that the island's best nutmegs *would not be sold below $6,650* a tonne, while the minimum price for the poorer nuts would be $5,574 a tonne.

For mace, the red, lacy covering of the nuts, Indonesia's high quality had a minimum price of $13,500 a tonne, while the minimum price for low quality mace was $6,000 a tonne. The Grenadians would accept no less than $11,750 a tonne for their best mace and *$10,000* a tonne for that of a lower quality.

The Grenada Co-operative Nutmeg Association expects world production next year to be 10 per cent below the 800,000 tonnes produced this year.

● An impending two per cent reduction in the price the *European Community* pays for sugar from 12 African, Caribbean and Pacific (ACP) producers will cost the exporters about £8.5m per year.

In a statement after a recent meeting in Scotland to discuss the price change, the ACP producers said they were con*cerned that the EC sugar price,* to which the ACP's guaranteed price is linked, had been reduced. "If this reduction is applied to ACP exports under the Sugar Protocol (of the Lomé Convention), it would mean a reduction of approximately Ecu12m (£8.5m) in for*eign exchange earnings,"* the statement said.

Counting the cost of purer water

Cutting nitrate use may be an expensive way of cleaning up supply

FARMER'S VIEWPOINT

By David Richardson

BRITISH FARMERS have never been convinced of the need to cut back on applications of natural and chemical fertiliser in order to reduce nitrate pollution in the country's water supply. And *recent revelations of levels of compensation proposed for a* voluntary reduction scheme have done little to win them over to the idea.

At this stage there may appear little cause for alarm. The scheme is, after all, voluntary and it affects a mere 15,500 hectares of English farmland. But farmers around the country should not be too complacent.

When he announced it last July, in one of his first pronouncements as Minister of Agriculture, Mr John Gummer said the designation of a limited number of "nitrate sensitive areas" was a pilot scheme. The clear implication was that if the complicated and potentially yield-reducing measure was found to have the desired effect it would be extended.

A House of Lords select committee which reported earlier in the year had in fact suggested that farming on one third of arable England might one day need to be restricted if current EC law on nitrates in drinking water was to be observed to the letter.

Every arable farmer in the country *therefore is vitally* interested in the restrictions proposed and the compensation offered in return. Over the last few weeks these have been revealed and first reactions from farmers are, to say the least, hostile.

A basic figure of £40 a hectare *(£16 an acre)* for observing a total of 19 rules, some of which would affect productivity significantly, was considered an insult by intensive farmers. And the £250 a hectare premium rate for converting arable land to unfertilised, ungrazed heath was described as equally inadequate.

The declared objective of the Ministry of Agriculture is to persuade farmers in the 12 pilot NSAs – and nine other areas where an intensive advisory campaign is to be mounted – to adopt the measures voluntarily as a first step towards reducing nitrate levels in water supplies. If the first bid on compensation is also the last it is likely that the Ministry will be out of luck.

It seems, however, that there may be some flexibility on both the severity of the restrictions and the compensation, although the as yet private consultative meetings between ministry officials and affected farmers makes it difficult to discover details with certainty.

Among the more contentious restrictions on which there might apparently be some movement are those enjoining farmers to plant a "cover" crop in winter, whether their soils leach readily or not, as well as one which could effectively have prevented pig farmers from putting slurry on the land except in February.

Representations by irate pig farmers have apparently persuaded ministry officials to relax that rule a little and allow spreading on such fields from November 1. Even so it implies that a farm must have sufficient secure and almost certainly expensive storage to hold all the slurry generated from March to November – far more than most have at the moment.

But although a few crucial concessions have been made most of the measures remain. Farmers who join the basic rate scheme for instance will be expected to apply 25 kg a hectare of nitrate fertiliser less than the Ministry's own calculation of the optimum on crops of winter wheat and winter barley and 50 kg below optimum on oilseed rape.

Clearly these cuts will reduce yield and complying with the whole range of rules will cost far more than the £40 a hectare on offer. Whether the Ministry will ultimately come up with a more realistic figure remains to be seen. The affected farmers however are acutely aware that if they refuse to agree to participate in the scheme voluntarily the Minister has the power to enforce and that compensation, *if offered at all, would be non-negotiable.*

In some NSAs there is a more drastic option; to plant all arable land with a grass seeds mixture and leave it unfertilised and ungrazed – the only management being regular trimming. Left undisturbed, the argument goes, the soil would retain most of its nitrate. For this a farmer is offered compensation of £250 a hectare, which may seem more generous but it also well below what is required to make up for the loss of income and the deterioration in capital value of the farm.

Land agents Bidwells based at Cambridge have in fact done some simple calculations which suggest the compensation needed to convert an intensive arable farm growing potatoes, sugar beet and cereals to ungrazed heath.

Such a farm in, say, Lincolnshire where some of the most contentious NSAs are situated, could be expected to return a net profit at present of £375 a hectare, all of which needs to be compensated together with a maintenance cost for the new heath of about £50 a hectare. In addition the so-called land blight which Bidwells estimate has already halved the value of farms in NSAs would cut rental value by a further £70 a hectare.

In other words, according to Bidwells, to be fully compensated for the total change of land use a farmer or landowner following that course would need to receive around £500 a hectare or double the present proposal. That figure takes no account, however, of the implied serious loss of rural employment nor the knock-on effects to the rural economy.

The really daft aspect of it all is that everybody involved on the negotiations knows that even if they are widely adopted the proposed restrictions on farming practices will almost certainly take decades to have a significant effect on water quality.

As the Ministry's own research station on Rothamsted has confirmed over many years of trials, nitrate leaching is mainly the result of a biological breakdown of organic matter such as plant roots in the soil. This means that even soil growing unfertilised arable crops leaks nitrate constantly. The application of inorganic fertilisers, provided amounts are not excessive, has almost no effect on the overall level of leaching.

If it is necessary to reduce nitrate levels in drinking water (and all the experts concede that there is no evidence to show that human health is at risk from present public supplies) there are two clear alternatives.

The first would be to convert one third of arable England – say 1.8m hectares to unfertilised ungrazed heath. This would remove the possibility of producing 9m tonnes of cereals per year or almost half the annual UK harvest.

Compensation to the affected growers, if the Bidwells figures mentioned earlier were used, would add up to £666m per year. Even the Ministry's current inadequate offer would cost half that amount. There would also be a sizeable effect on the balance of payments because of the necessity to import supplies of food no longer produced at home.

My calculations may be crude and the scenario I have envisaged too simplistic. But the costs involved do at least put into perspective the other possible policy of treating water to remove any nitrate above approved levels.

A Department of Environment report published in 1985 estimated the capital cost of installing the necessary denitrifying plants in this country at about £200m. The report also envisaged annual running costs of £20m.

Even allowing for inflation over the four years since that was published it seems to me therefore that treatment by water authorities would cost less, achieve faster results and allow farmers to carry on their legitimate business. What is not clear to me however is whether the possibility of such expenditure after water privatisation has been taken account of in the valuations.

Environment gets higher priority in farm research

By Bridget Bloom, Agriculture Correspondent

RESEARCH DESIGNED to make agriculture more environmentally friendly has become one of the top priorities of Britain's main government-funded agricultural research body.

According to the Agriculture and Food Research Council's annual report, published yesterday, such research now ranges from methods of reducing chemical inputs to reducing effluent from silage, the grass-based cattle feed.

Silage effluent, which is some 200 times more polluting than human sewage, is responsible for about a quarter of farm pollution incidents in England and Wales.

The AFRC is looking into the way natural additives such as barley and sugar beet can reduce effluent while in the longer term it believes "it may prove worthwhile to breed forage crops especially for low-effluent silage."

Many of AFRC's projects aim to improve the efficiency of pesticides to minimise dosages, while its scientists are also researching into biological methods of controlling pests which eschew the use of chemicals altogether.

The annual report notes that in agriculture "it is no longer sufficient merely to be productive and profitable. Efficiency must be coupled with protection and enhancement of the environment."

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD eased on the London bullion *market — the first hesitation since it* burst through the $400 an ounce barrier last Tuesday. Dealers noted mild disappointment that the bull trend was not being maintained.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	665	669	682 650
Mar	651	653	653 645
May	659	664	663 656
Jul	672	675	677 670
Sep	688	692	692 685

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						
Cash	1711-13	1707-10	1706	1705-6		
3 months	1706-9	1707-10	1712/1702	1705-8	1706-7	

US MARKETS

New York

Chicago

LONDON STOCK EXCHANGE

Standstill in an unconvinced market

THE SETBACK in the pound, hard on the heels of a warning from the UK Chancellor that domestic interest rates could be raised again "if necessary", threw a pall of gloom over the stock market in early dealings yesterday. Share prices losses were not large, however; in fact, turnover returned to the most dismal levels of recent weeks, and the market managed a somewhat doubtful rally in late dealings. "All in all, a totally unconvinced market," commented one trader.

One steadying factor came from Deutsche Bank's £950m bid for Morgan Grenfell, brightening up a drab Monday morning in London and maintaining the flow of large cash bids which has kept the stock market alive in recent weeks. Grenfell stock features in many speculative, as well as institutional portfolios, and the bid cash is expected to return to the market.

Early trading yesterday saw the Footsie Index down by 9.5 points, led by some selling of the futures contract. Equities shied away from the fall in sterling, although strategists expressed mixed views on its implications. The international stocks, where earnings benefit from sterling weakness, held up fairly well and stock market investors appeared unconvinced of the dangers of another rise in UK base rates.

The market rallied and was trying to edge higher as Wall Street opened well, but lost impetus when the US houses caught signals that the US Federal Reserve was showing less inclination to ease its credit line than perceived last week.

At the close of trading, the FT-SE Index was a net 1.9 higher at 2,224.3 – not much of a gain even after allowing for several ex dividend quotations in Index constituents. Nearly half the Footsie stocks were still easier on the day and around 10 per cent unchanged. Trading volume was even less convincing. Seaq volume of 333.3m, against Friday's 413.6m, was very poor, and even worse after allowing for the contribution from a handful of stocks.

Recent data from the Stock Exchange has indicated that around one-third of daily turnover consists of inter market business. After subtracting this proportion from yesterday's turnover, it appears that trading in Morgan Grenfell (29m shares) and in British Steel (9.1m) accounted for about one fifth of genuine customer business transacted yesterday.

At the close, the stock market appeared less dismayed than the currency markets at either the fall in the pound or the indications that Mrs Thatcher's Government is slipping sharply in the UK opinion polls. But there was disappointment that hopes of lower interest rates seemed to be receding in New York, where Wall Street's struggle to hold its initial gain helped to take the top of UK share prices in the final minutes of the session.

Account Dealing Dates			
*First Dealings:	Nov 13	Nov 27	Dec 11
Option Declarations:	Nov 23	Dec 7	Dec 21
Last Dealings:	Nov 24	Dec 8	Dec 22
Account Day:	Dec 4	Dec 18	Jan 8

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.64	84.10	83.70	83.66	83.50	86.96	89.29 (8/2)	83.50 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.59	92.80	92.71	93.17	93.13	97.24	99.59 (15/3)	92.58 (27/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1753.2	1754.9	1754.1	1734.4	1731.9	1452.6	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	300.0	296.7	291.4	290.5	282.8	179.4	300.0 (27/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2224.3	2222.4	2220.5	2192.3	2185.1	1781.5	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.86	4.85	4.77	4.81	4.82	4.90				
Earning Yld %(full)	11.68	11.68	11.44	11.54	11.55	12.30				
P/E Ratio(Net)(☆)	10.35	10.36	10.56	10.46	10.46	9.85				
SEAQ Bargains(5pm)	22,918	29,956	24,474	20,977	21,524	24,088				
Equity Turnover(£m)†	-	820.48	739.24◆	680.03	739.24	1381.08				
Equity Bargains†	-	30,024	23,394◆	20,926	23,394	31,731				
Shares Traded (ml)†	-	389.3	302.0◆	282.5	308.0	677.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.25

Ordinary Share Index, Hourly changes — Day's High 1754.0 — Day's Low 1744.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1749.3	1748.4	1745.5	1745.5	1745.1	1746.0	1750.6	1752.9

FT-SE, Hourly changes — Day's High 2226.2 — Day's Low 2212.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2217.8	2213.9	2213.2	2213.4	2213.4	2214.5	2221.5	2224.8

GILT EDGED ACTIVITY

Indices*	Nov 24	Nov 23
Gilt Edged Bargains	86.7	83.2
5–Day average	82.1	80.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. ◆Corrected figure. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

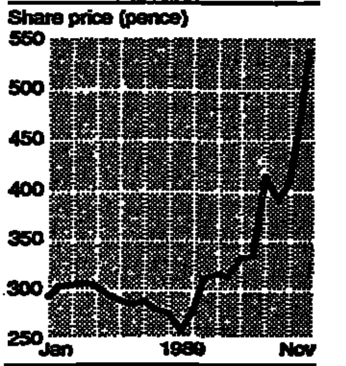
Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	127		Courtaulds	487	346	-1	LASMO	409	539	+1	Saatchi & Saatchi	703	295	+2
Abbey National	4,200	157		Dalgety	575	372	-1	Lonrho	1,500	269	+2	Sainsbury	581	252	-½
Allied-Lyons	797	472	-2	Dixons	461	105	-1	Lucas	608	565		Scott & Newcastle	824	355	+5
Amstrad	1,400	40	-1	Eng. China Clays	499	395	+4	MB Group	836	184	+1	Sears	1,600	103	-2
Argyll Group	782	201½	+½	Enterprise Oil	403	639	+7	MEPC	352	487	-2	Sedgwick	442	237	+6
Ass. Brit. Foods	186	399		Fisons	2,000	340	+5	Marks & Spencer	3,900	203½	-1½	Shell Transport	1,700	445	+6
BAA	845	361	+3½	General Accident	472	1078	+12	Maxwell Comm.	334	224	+2	Siebe	499	453	+3
BAT Inds.	321	780	+4½	General Elect.	3,700	215	+1½	Mecca Leisure	387	159		Slough Ests	521	299	-6
BET	478	261	+1	Glaxo	1,400	732	-2	Midland Bank	1,200	345	+7	Smith & Nephew	741	135½	
BICC	283	438	+1	Globe Inv.	267	188	+1	NatWest Bank	888	334	-1	SmithKline Beecham	2,400	565	+14
BOC	474	582	+½	Glynwed Int.	2,100	244		Next	982	95	-1	Smiths Industries	92	261	-½
BPB Inds.	1,000	215	-5	Granada	762	306	-1	Northern Foods	55	298	+1	Standard Chartered	2,100	568	+7
BTR	775	426	-1	Grand Met.	1,000	548	+3	Pearl	12,964	691	+1	Storehouse	877	115	-2
Barclays	1,500	524	-1	GUS A	257	1053		Pearson	42	738	-5	Sun Alliance	1,050	380	+3
Bass	343	993	+5	GRE	868	227	+3	P & O	255	547	+2	T&N	434	186	
Blue Circle	518	212	-2	GKN	375	381	+2	Pilkington	2,050	240		TI Group	318	402	+1
Boots	1,100	257	+2	Guinness	945	592	-1	Polly Peck Intl.	4,800	375	+2	TSB	2,600	117½	-½
Brit. & Comm.	8,000	88	+6	Hammerson 'A'	36	769	-1	Prudential	1,200	209	+2	Tarmac	1,300	226	-1
Brit. Aerospace	1,700	499	-19	Hanson	6,000	227	+3½	RHM	768	438	-3	Tate & Lyle	393	264	-2
British Airways	1,100	204	+2	Harrisons & Cros.	691	146		RMC	288	642	-3	Taylor Woodrow	342	251	-2
British Gas	8,290	209½	-1½	Hawker Siddeley	131	687	-7	RTZ	1,400	527	-1	Tesco	931	185	-1
British Land	235	296	-2	Hillsdown Hldgs	2,400	256	-1	Racal	1,000	248	-2	THORN EMI	525	735	+4
BP	2,600	311	+2	IMI	564	196	+1	Rank Org.	72	858	+4	Trafalgar House	584	330	+1
British Steel	9,100	123	-½	ICI	749	1110		Reckitt & Colman	203	1189	+9	Trusthouse Forte	1,000	231	-3
British Telecom	3,600	266½	+1½	Inchcape	229	266	+4	Redland	282	522	-3	Ultramar	1,100	335	-2
Burmah Oil	261	675		Jaguar	76	835	+2	Reed International	969	415	-2	Unilever	812	671	+6½
Burton	238	188	-1	Kingfisher	984	289	+1	Reuters	445	922	+3	United Biscuits	795	346	-4
Cable & Wireless	2,800	471	-2	Ladbroke	1,900	289	-6	Rolls Royce	4,400	159	+½	Utd. Newspapers	81	461	-2
Cadbury Schweppes	829	333	-2	Land Securities	569	493	-½	Rothmans	63	644	-2	Wellcome	183	718	+3
Carlton Comms.	179	821	+1	Laporte	25	463	-1	Royal Bk of Scotland	677	183	+1	Whitbread 'A'	1,400	372	-1
Commercial Union	298	452	+1	Legal & General	941	379	+7	Royal Insurance	2,400	488	+2	Williams Hldgs.	695	232½	-2½
Costain	327	267	+9	Lloyds Bank	1,700	438		STC	561	271	-5	Wimpey	213	226	+1

Deutsche raids Morgan

The expected "white knight" bid for Morgan Grenfell, the UK merchant bank, materialised yesterday morning in the form of an agreed 550p a share bid from Deutsche Bank, the West German bank which has a near 5 per cent stake in Morgan. It values Morgan Grenfell at £950m, and was accompanied by a market raid on the shares by James Capel, Deutsche Bank's UK brokers. Morgan shares rose sharply to close 60 higher at 536p, with turnover finally at 29m shares.

Deutsche Bank's move came ahead of tomorrow's meeting of Willis Faber shareholders to vote on proposals to sell Willis' remaining 9.8 per cent stake in Morgan to Banque Indosuez (Suez), the French bank which previously acquired a 10.6 per cent Morgan stake from Willis.

Morgan Grenfell



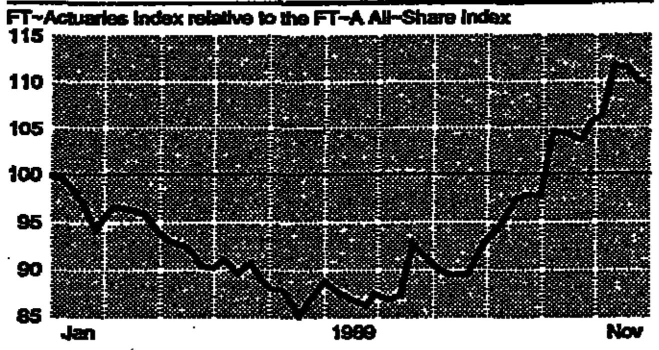
Deutsche Bank's bid was regarded by dealers as "generous - more than the 500p to 520p expected by most people." And the German bank was thought to have increased its holding to the 14.9 per cent maximum allowed on the first day of a bid. Mr Steven Thorn of UBS Phillips and Drew said the bid was "likely to succeed," while Mr Nick Collier of Hoare Govett said Suez was "unlikely to come back."

BPB unsettled

The threat of yet higher interest rates, coupled with growing unease over the interim figures scheduled for Thursday, upset BPB Industries, the plasterboard manufacturer.

Dealers and analysts were unanimous in forecasting a sharp reduction in BPB's pre-tax profits for the half-year. A wide range of analysts' forecasts – County NatWest is at the bottom end of estimates which go from £70m to £95m compared with a comparable figure last year of £104.1m – reflects the uncertainties surrounding the plasterboard market throughout Europe.

Merchant Banks



Takeover speculation has inspired a strong performance in merchant banking shares this year.

Illustrating this, analysts cite the plasterboard price wars in France and Germany and also in the UK where West Germany's Knauf and Redland are now in opposition to BPB which until only a year or so ago had 90 per cent of the UK market. BPB shares fell 5 to 215p on turnover of 1m.

The Deutsche Bank move for Morgan Grenfell had a predictably buoyant effect on the rest of the merchant banking sector. *As Mr Chris Wheeler of* Shearson Lehman Hutton put it "the key to valuing the sector is the price paid for Morgan by Deutsche Bank, 2.2 times book value and in excess of 20 times earnings, which demonstrates the attractions of the merchant bank sector to overseas players."

Hambros, scheduled to report interim figures today, moved up 14 to 234p and was said by one trader to be a possible alternative bid target for Suez. Kleinwort Benson, "another bid possibility," the dealer noted, rose strongly to close 15 higher at 374p. SG Warburg, only a fraction harder at 428p, xd, displayed "very attractive fundamentals."

Turnover in the clearing banks was relatively thin with the exception of Standard Chartered where the shares added 7 more to 560p, mostly late in the session, on turnover of 2.1m. Some keen demand in the traded options market was said to have been behind the late rise in Midland, 7 higher at 345p.

British & Commonwealth, boosted by comment in the weekend Press and brokers highlighting the group's break-up value, touched 90p before closing a net 6 higher at 88p on turnover of 8m shares.

The prospect of a much higher price for its Morgan Grenfell shares helped insurance broker Willis Faber edge up to 270p. In lifes Pearl were bid up to 693p before settling a net penny harder at 691p on big turnover of 13m. Dealers said that AMP, the Australian group bidding for Pearl, had probably bought some 7m or 8m shares and needed to pick up around 10m more shares to achieve victory.

Other lifes rose in sympathy. *Lloyds Abbey*, still boosted by the County NatWest buy note, edged up 3 to 289p. Sun Life, where French insurance group UAP has a stake of around 25 per cent, gained 22 to 1235p although dealer said that volume in the stock was only 23,000 shares.

International blue chips were easier, but somewhat indecisive in the face of a weakening UK currency.

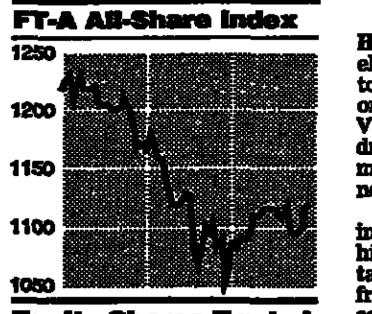
Losses in Glaxo (728p), Unilever (665p), and Fisons (333p) were no more than a few pence, however, and there was little indication of selling pressure. Hanson at 224p held on to last week's closing level, boosted by the apparent success of the programme of disposal of the unwanted assets taken in with the Consolidated Gold Fields' acquisition. At Hoare Govett, the London-based securities house, Mr Mark Cusack estimated that Hanson has made a gross potential paper profit of "comfortably clear of £0.75bn" to date on the Gold Fields' deal.

ICI, potentially the greatest beneficiary from a strong German mark, could not stand out against the market trend and took a loss of 4 to 1108p. London traders are becoming cautious ahead of ICI's Pharmaceuticals Conference on December 8, which they believe may prove a likely determinant of the short term performance of the share price.

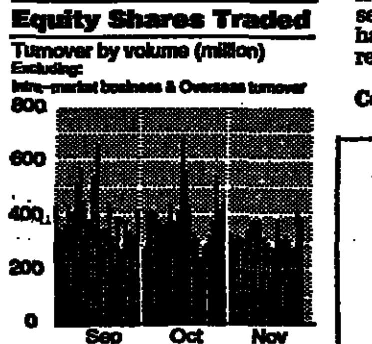
A recommendation by County NatWest to buy Christian Salvesen before its interim results on December 6 provided support. County said: "In the midst of a results season which will have produced a fair amount of poor figures, Salvesen's interim's will stand out as being very good." County sees Salvesen's interim profits rising 17 per cent to £31.5m. Salvesen closed a penny lower at 155p.

In the rest of the food manufacturing sector, a number of the leading shares went ex-dividend and this depressed prices. These included Ranks Hovis McDougall, which dropped 12 to 410p; Unigate, down 5 at 325p. But Unilever bucked the trend, and closed 2 higher at 671p, as sterling weakened against the Deutschemark. United Biscuits continued to ease after the recent downgradings. Hoare Govett was the latest house to lower

FT-A All-Share Index



Equity Shares Traded



its profit forecasts. It expects £186m profits this year, compared with £192m previously, while next year it sees £224m against £227m. UB closed down 4 at 346p.

Kwik Save dipped on profit-taking before its final results on Wednesday and as bid speculation continued to wane. However, the market was supported at the lower levels after a "buy" recommendation from County NatWest analysts. They drew attention to the expansion by Kwik Save of its lines of business. "The market hasn't yet taken on board the profit potential at Kwik Save," said Mr David Shriver, analyst at County. Kwik Save closed 6 lower at 539p.

Argyll was steady before the release of its half-time results this morning. Analysts expect profits of between £110m and £117m, compared with £100.2m last time. One analyst said he hoped Argyll will comment on recent market speculation that it will not convert its Presto stores in North of England and Scotland. Argyll closed ½ lower at 200½p.

Boots was depressed as it went xd and also on uncertainty over the relationship with its subidiary, Payless. But these worries eased after Boots announced that Payless and another Boots subsidiary, AG Stanley, will be managed as seperate companies. Paul Smiddy, analyst at Kleinwort Benson, said: "This will clear the way for an overall strategy for the subsidiaries for a new strategy, and also allow Payless and AG Stanley to situate seperate markets." Boots closed 2 lower at 257p.

Bett Brothers shares raced up 21 to 148p after the group unveiled preliminary results showing pre-tax profits up from £1.52m to £4.35m and the dividend increased from 2.45p to 3.95p.

Construction group Higgs & Hill, under seige from YJ Lovell, rose 17 to 421p as speculators banked on a white knight or counter bidder moving in. Vibroplant's interim figures drew a good response from the market, the shares closing a net 4 higher at 152p.

The market continued to indicate it was looking for a higher takeout price for Hestair than the current offer from Adia, the Swiss personnel services company. The shares hardened 3 to 301p as Hestair rejected the bid.

Tootal eased on fears that Coats Viyella which has a 29.9 per cent stake in Tootal was likely to make a lower offer for the company than that made last May. Shares fell 5 to 104p xd. Mr Lawrence Rubin at Kitkat & Aitken said: "We commented two weeks ago that Coats Viyella would be likely to make a lower offer for Tootal and events make this more and more likely." Mr Rubin said he was advising clients to reduce their share holdings in both companies. Coats Viyella shares fell 4 to 135p.

Shares in Monotype, a UK manufacturer of typesetting and pre-press equipment which last week accepted a £32m bid from King, Black & Associates, a US investment group, rose sharply to 171p on the prospect of a counter bid from Mr Robert Maxwell's Mirror Group Newspapers but eased thereafter on the news from Mr Maxwell that any offer from MGN would only be "marginally higher" than the existing offer. The shares eventually closed at 163p, a day's gain of 8.

Shares in SmithKline Beecham rose 16 to 567p on strong buying from a US investment house and also as the company was reported to be starting a series of presentations to institutions.

British Steel remained unchanged at 123p xd on moderate turnover of 9m on an otherwise thin day. Western Motor rose 5 to 513p.

A double dose of bad news caused British Aerospace to weaken. The shares suffered from reported difficulties in the financing of the huge Saudi Arabian Al-Yamamah military equipment deal, for which British Aerospace is the lead contractor. There was talk in the market that failure by the British Government to help arrange additional financing to make up shortfalls in Saudi Arabian payments caused by weaker oil prices could lead to parts of the contract being cancelled.

News of management difficulties at Airbus Industrie, in which British Aerospace has a 20 per cent stake, as well as being the builder of the wings for the Airbus aircraft, was also said to have affected sentiment. The shares fell 19 to 499p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (88).
AMERICANS (2) CANADIANS (6) BANKS (7) BUILDINGS (1) CHEMICALS (3) STORES (1) ELECTRICALS (3) FOODS (1) INDUSTRIALS (5) Hestair, ISS-Int Serv. Sys B, Lilly (Eli), Syltone, Unilever NV. INSURANCE (8) MOTORS (1) PAPERS (1) SOUTH AFRICANS (1) TRUSTS (18) OILS (2) OVERSEAS TRADERS (1) MINES (26).
NEW LOWS (73).
BRITISH FUNDS (9) INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) FOREIGN BONDS (1) BUILDINGS (5) STORES (4) ELECTRICALS (8) ENGINEERING (1) HOTELS (1) INDUSTRIALS (16) Allied Part., Baird (Wm), Bowater Inds., Coloroll, Dauphin, Erskine House, Ibex, Linost, Omnitech, RKF, Silentnight, Shotshley, Spectrum, TLS Range, Whlaire, Wyko, INSURANCE (1) LEISURE (2) PAPERS (8) PROPERTY (8) TEXTILES (1) TRUSTS (8) OILS (1) MINES (1) THIRD MARKET (2).

APPOINTMENTS

Bupa Health Insurance managing director

Mr Michael J. Smith will become managing director, BUPA HEALTH INSURANCE (UK) with effect from January 1, succeeding Mr Roy Clarke, who is retiring.

Mr Smith is currently managing director, BUPA Health Services, where he will be succeeded by Mrs Susan C. Ellen, who has been promoted from development and marketing director.

■ Following the sudden death of Mr Gordon Henry, who was chairman of both NEW SCOTLAND INSURANCE GROUP, and Independent Insurance Group, Mr Norman Biggart, a senior partner of Biggart Baillie Gifford, has been appointed chairman of New Scotland.

Mr Donald Raley becomes chairman of Independent. He is deputy chairman of New Scotland.

■ Mr Ian Moore has been appointed group communications director of MARTIN BIERBAUM GROUP.

■ Rediffusion Simulation's product *pricing* manager, Mrs Dorothy Hatfield, has been elected president of the WOMEN'S ENGINEERING SOCIETY. She is an aeronautical engineer, and has been a member of the Society since 1962.

CLIFFORD'S DAIRY PRODUCTS, a division of Clifford Foods, has made two new appointments in its sales and marketing department.

Mr Roy McKenna (left) is to head the sales team for the southern area as regional sales manager responsible for Cool Country sales within the Cash and Carry sector. His previous experience includes five years with Dairy Crest as regional accounts manager.

Also switching from Dairy Crest is Mr Donald Boyne (right), who becomes contracts and catering sales manager, handling sales of the Cool Country range in the catering trade, as well as contractual negotiations with local authorities.

■ Lord Derwent has been appointed a director of F. & C. PACIFIC INVESTMENT TRUST.

■ The CARROLL GROUP has appointed Mr Adrian Woods as deputy chief executive of Carroll Investment Corp. Mr Bill Wallis becomes northern investment director.

■ Following the re-organisation at UNITED GUARANTEE, including the injection of new funds by Crescent Africa, Mr Kojo Nyantekyi, managing director of Crescent Africa, becomes chairman of United Guarantee. He is joined on the board by Mr Peter Delf and Viscount Slim, directors of Crescent Africa. Mr George Blakey and Mr Anthony Stern have resigned as directors of United Guarantee.

■ Mr Gareth Evans has been appointed a director of N.M. ROTHSCHILD INTERNATIONAL ASSET MANAGEMENT. He was deputy chief manager of the UK's foreign exchange reserves at the Bank of England.

■ Mr Lawrence M. Oliver, Mr Adam M.C. Sayers and Mr Robin A. Ward have been *promoted to directors of the* North American division of DENIS M. CLAYTON & CO.

■ Mr C.E. Bush has been named property director of the CHAUCER ESTATES GROUP from January 1.

■ BACON & WOODROW, consulting actuaries, has appointed Miss Morfydd Evans as a partner. She was a director of Fleming Investment Management.

■ Mr Neil Clarke has been made chairman of GENCHEM CHARTERING. He is chairman of Johnson Matthey, and Molins.

■ Si has named Ms Jane Crawford as a local director, and Mr John Mackie and Mr Martin Gagen as investment directors at the Reading office covering the Thames valley. Ms Crawford succeeds Mr Marc Gillespie who has been appointed regional head for the south of England.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1900)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	56.45	57.02	60.66	+0.98	4.52
Gilts & Fixed Int	6	108.2	108.2	114.3	-0.30	8.71
High Inc Equity	6	128.7	131.7xd	140.2	-0.30	4.53
Worldwide Bond	6	209.3	209.3xd	221.7	+1.80	4.78
Capital Growth						
American Growth	6	208.3	210.1	223.6	+2.80	0.85
Asian Pacific	6	119.7	122.1	129.9	+1.30	1.00
Assets & Earnings	6	150.6	150.6xd	161.1	-0.60	2.30
Capital Reserve Acc	0	87.70	87.70	87.80	-0.15	4.56
Capital Reserve Inc	0	77.84	77.84	77.93	-0.14	5.13
Comdty & Energy	6	119.5	122.0	129.3	-1.50	1.46
1992 Enterprise	6	60.21	60.21	64.40	+0.57	1.99
Euro Capital Acc	6	99.19	99.92	106.3	+1.60	0.71
Euro Capital Inc	6	95.64	96.35	102.5	+1.70	0.73
General	6	173.20	173.2	185.3	+1.00	2.70
International	6	59.52	60.12	63.96	+0.74	0.78
Japan	6	129.0	131.4xd	139.8	+2.30	0.00
Mastertrust	6	93.45	93.45	99.95	-0.34	1.70
UK Growth Acc	6	174.8	174.8xd	187.0	-0.60	1.50
UK Growth Dist	6	115.8	115.8xd	123.9	......	2.26
US Emerging Cos	6	56.26	56.74xd	60.37	......	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.9	115.9	123.2	+0.1	3.59
PM Income & Gth	5	94.80	94.80	100.8	+0.2	4.33

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: 0 - 0001 to 1100 hours; $ - 1101 to 1400 hours; ф - 1401 to 1700 hours, ф - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrg	Cancel Price	Bid Price	Offer Price	+ or -	Yield Grs
Conv&Gil & Equity	5	54.86	58.18xd	61.88	.....	7.61
European	5	77.17	77.54	82.49	.....	0.10
Far Eastern	5	64 44	70.72	75.23	.....	0.62
Growth Inc	5	75.33	78 95	83.98	.....	1.62
Growth Acc	5	75.41	79.02	84.06	.....	1.62
Income Inc	5	73.98	76.34	81.21	.....	8.21
Income Acc	5	74.08	76.44	81.31	.....	5.17
Propert'v Share	5	47.24	47 24	50.36	.....	1 10
Smaller Co's	5	49.41	49.41	52.53	.....	1.85
Nth American	5	64.53	64.53	69.01	.....	1.57
International	5	49.27	49.27	52.69	.....	1.39
Asset Value	5	158.21	158 21	169.20	.....	4 43

Wright Seligman Fund Mngrs Ltd (1700)F
11 Blomfield St, London EC2M 7AY 01-588 0592

	Init Chrg	Cancel Price	Bid Price	Offer Price	+ or -	Yield Grs
Int'l Growth	5	112.91	112.91	118.85	.....	3.95
UK Growth	5	92 40	92.40	97.26	.....	3.08
UK Income	5	95.84	95.84	100.89	.....	4 46

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602350

	Init Chrg	Cancel Price	Bid Price	Offer Price	+ or -	Yield Grs
Yorkshire General	5¼	55.34	56.92	61.54	+0.04	2.88
YBIM UK Equity Inc Tst	5¼	56.84	57.53	61.20	-0.11	4.82
YUTM Intl Gwth Tst	5¼	57.56	57.56	61.42	+0.51	0.70

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid	Offer	+ or -	Yield
Int'l Exmpt November 15	554.2	574.8	....	0.68

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid	Offer	+ or -	Yield
Inv Fund Oct 31		512.39	.....	4.98
Fxd Int Sec Oct 31		136 45	.....	10 48
Deposit Oct 31		100 00	.....	14.22

Charinco/Charishare‡‡ (1000)F
33 King William Street, EC4R 9AS 01-280 2800

	Bid	Offer	+ or -	Yield
C'inco Inc Nov 22	161.5	165.8	-0.80	9.82
C'inco Acc Nov 22	678 9	696.9	-3.70	9.82
C'share Inc Nov 22	151 3	157.1	-1.00	3 80
C'share Acc Nov 22	167.4	174.0	-0 90	3.80

CAFINVEST-Charities Aid Foundation
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333

	Bid	Offer	+ or -	Yield
Balanced Growth	51.33	52.84	-0 10	4.00
Income	49.06	50.07	-0.33	8.00

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid	Offer	+ or -	Yield
Income Oct 31		489.94	.....	5.23
Accum Oct 31		1657.68	.....	-

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid	Offer	+ or -	Yield
American Nov 22	148.5	152.6	+3.4	1.47
Managed Nov 22	136.7	141.8	-0.9	2.03
Japan Nov 23	154.8	159.1	+1.8	0.13
Pacific Nov 24	560.2	575.6	+9.1	0.18
Sm Jap Cos Nov 24	509.7	523.7	+139.4	0.07

Fidelity Investment Services Ltd

	Bid	Offer	+ or -	Yield
Mngd Pens P'folio	134.7	138.5xd	+0.50	0.71

Robert Fleming Asset Mngmt Ltd

	Bid	Offer	+ or -	Yield
Am Exempt Nov 21	£461.18	457.42	.....	2.38
Gen Exempt Nov 21	£125.91	128.47	.....	3.87
Jap Exempt Nov 21	£706.90	720.73	.....	0.53
Pacific Exempt Nov 21	£103.98	106.49	.....	2 41
Cont Euro Exmpt Nov 21	£95.03	96.86	.....	2 63
Indexed Exempt Nov 23	£114 71	117.58	.....	4 48
Amer Indxd Exmpt Nov 20	£100 78	101.78	.....	3.25
Japan Indxd Exmpt Nov 2	£101.14	103 18	.....	0.37
Euro Indxd Exmpt Nov 23	£103.14	105.22	.....	2.83
O'seas Indxd Exmpt Nov 16	£118.12	120.77	.....	1.84

Foreign & Colonial Pens Mngt Ltd
Exempt Funds

	Bid	Offer	+ or -	Yield
Anglo-Nippon Nov 20	2283.5	2396.7	+7.8	0.81
European Inc Nov 20	110.5	116.5	+2.9	1.79
European Acc Nov 20	117.9	124.3	+2.9	1.79
North American Nov 20	593 1	615.1	+20.5	1.50
South East Asia Nov 20	317 5	333 6	+8.0	2.03

Funds in Court*

	Bid	Offer	+ or -	Yield
Capital Nov 16	486.1	487.3	.....	2.11
Gross Nov 16	198.3	199 5	.....	7.28
High Yield Nov 16	290 9	291.5	.....	5.89

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid	Offer	+ or -	Yield
Pensions Mngd	50.98	53.43xd	+0.09	3.02

Lazard Brothers & Co. Ltd

	Bid	Offer	+ or -	Yield
Property Nov 2	£3100.0	3260.0	.....	4.9
Inc Gilt Prp Oct 1	*£1420.0*	*1480.0*	.....	*6.8*

Lazard Investors Ltd ‡‡
Exempt Funds

	Bid	Offer	+ or -	Yield
Small Co's Nov 20	£3989.5	4237 4	.....	2.2
European Nov 20	£500.3	510.3	.....	1.5
American Nov 20	£367.0	370.7	.....	1.8
Far Eastern Nov 20	£814.6	830.0	.....	0.7
Australian Nov 20	£157.4	160 6	.....	2.7
Ridings Nov 13	£190.2	206.4	.....	0.9
Northumbria Nov 10	£167.0	180.2	.....	1.6
North West Nov 10	£245.5	266 7	.....	0.7
East Coast Nov 15	£81.3	86.0	.....	1.3
W Midlands Oct 31	£183 2	199.7	.....	1.6

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid	Offer	+ or -	Yield
Property Oct 31		240.75	.....	5.83
Equity Oct 31		829.50	.....	4.27
Fxd Int Sec Oct 31		96.35	.....	10.89

* Available only to Local Authorities

M & G Securities Ltd

	Bid	Offer	+ or -	Yield
Charibond	98.3	98.3xd	.....	11.48
(Accum Units)	465.0	465.0	.....	11.48
NAACIF *November 27*	-	41.7xd	.....	9.37

MIM Ltd
Exempt Funds

	Bid	Offer	+ or -	Yield
Intl Mngd P'Folio	1320.0	1424.0	.....	-
Mngd Pens (Acc)	66.0	70.3	.....	0.80

Morgan Grenfell Inv Mngmt Ltd
Exempt Funds

	Bid	Offer	+ or -	Yield
UK Equity Nov 21	£115.83	119.61xd	.....	3.05
UK Small Co Nov 21	*£592.59*	*626.98xd*	.....	*1.93*
Fixed Interest Nov 21	£99.25	99.77xd	.....	8.81
US Small Co Nov 21	146.0	151.3	.....	0.14
Managed Nov 21	103.39	108.79	.....	-
Intl Bond Nov 21	99.20	99.36	.....	7.94

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid	Offer	+ or -	Yield
Amer Expt Nov 22	51.5	53.3	.....	2.07
Euro Expt Nov 22	56.2	59 0	.....	2.32
Fixed Int Ex Nov 22	46.5	48.8	.....	9.72
Japan Expt Nov 22	68.0	70.7xd	.....	0.37
Managed Ex Nov 23	43 9	45.6xd	.....	4.54
SE Asia Expt Nov 22	67.7	71.0	.....	1.78
Sm Cos Expt Nov 22	40.5	42.5xd	.....	3.65
UK Eqty Ex Nov 22	38.8	40.7	.....	3.97

New Court Property Fund Managers

	Bid	Offer	+ or -	Yield
NC Property	214.5	232 8	.....	-

Phillips & Drew Fund Management Ltd

	Bid	Offer	+ or -	Yield
PDFM Small Co's Nov 7	786	856xd	.....	4.26
Do Accum	839	895xd	.....	4.26
PDFM Int Expt Nov 23	175 24	178 04	.....	2.3
PDFM UK Index Nov 7	1055	1074xd	.....	4.2
Do Accum	1074	1094xd	.....	4.2
PDF M Convertable	92.52	95.11	-0.52	7.8

J. Rothschild Fund Managers Ltd

	Bid	Offer	+ or -	Yield
Intl Exempt	141 7	144.2	.....	2.01

Stewart Ivory & Co Ltd

	Bid	Offer	+ or -	Yield
Saints PPP Oct 13	267.0	282 1	.....	0.00

Closed to new business

Thornton Unit Managers Ltd

	Bid	Offer	+ or -	Yield
Managed Exmpt Nov 15	98.41	104.77	.....	3.95
(Accum Units)	98.83	105.22	.....	3.95

Touche Remnant Unit Tst Mngt Ltd

	Bid	Offer	+ or -	Yield
TR Exempt European	1025	1031	+40	-
TR Exempt Nth Amer	985	990	+12	-
TR Exempt Pac Basin	1020	1026	+57	-

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid	Offer	+ or -	Yield
AA Friendly Sy Nov 10	-	164.5	.....	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Allied Dunbar Assurance Plc (continued)

	Bid	Offer	+ or -	Yield
Far East Acc	229.1	241.3	+3.9	-
European Acc	25.7	27.1	+0.3	-
Managed Acc	695.0	731.7	+2.9	-
Managed Cap	391.6	412.3	+1.7	-
O'seas Earnings Acc	392.4	413.4	.....	-
Gilt Edged Acc	313.1	329.6	+0.8	-
American Equity Acc	492.7	518.7	+4.1	-
American Man Acc	227.3	239.3	+1.9	-
American Prop Acc	152.2	160.3	+0.9	-
Pen.F.I Dep. Cap	299 7	315 5	+0.4	-
Pen.F.I.Dep Acc	521.5	549.0	+0.6	-
Pen. Prop. Cap	608.5	640.6	+0.4	-
Pen Prop. Acc	1170.1	1231.7	+0.6	-
Pen. Man. Cap	840.3	884.6	+4.4	-
Pen. Man. Acc	1614 2	1699.2	+8.7	-
Pen.GiltEdg Cap	313 2	329.7	+0.8	-
Pen. Gilt Edg. Acc	492.7	518.7	+1.3	-
Pen. Eq. Cap	1371.5	1443.7	+10.0	-
Pen. Eq. Acc	1996.7	2101.8	+11.6	-
Pen. Am. Eq Cap	167.1	175.9	+2.2	-
Pen. Am. Eq Acc	205.4	216.2	+2.7	-
Pen. Far East Cap	270.8	285 1	+2.8	-
Pen. Far East Acc	338.6	356.4	+7.6	-
Pen Euro Cap	31.6	33.3	+1.0	-
Pen. Euro. Acc	34.9	36.8	+0.6	-
Pen. B.S. Acc	574.2	602.9	+0.7	-
Pen. B.S. Cap	339.1	356.1	+0.3	-
Pen. D.A.F. Acc	400.7	400.7	+0.4	-
Pen. D.A.F. Cap	265.7	265.7	+0.2	-
Pen. Mortgage Cap	153.6	161.7	+0.3	-
Pen. Mortgage Acc	188.4	198.3	+0.3	-
Baring Funds				
Pen Equ Cap	28.8	30.4	+0.1	-
Pen Equ Acc	30.4	32.1	+0.1	-
Pen Am Eq Cap	35.7	37.6	+0.4	-
Pen Am Eq Acc	37.8	39.8	+0.4	-
Pen Far East Cap	36 6	38.6	+0.4	-
Pen Far East Acc	38.7	40.8	+0.5	-
Pen Euro Cap	41.8	44.1	+0.2	-
Pen Euro Acc	44.3	46.7	+0.2	-
James Capel Funds				
Pen Equ Cap	28.2	29.7	.....	-
Pen Equ Acc	29.8	31.4	.....	-
Pen Am Eq Cap	33.3	35.1	+0.1	-
Pen Am Eq Acc	35.3	37.2	+0.1	-
Pen Far East Cap	36.3	38.2	+0.3	-
Pen Far East Acc	38.3	40.4	+0.3	-
Pen Euro Cap	36.1	38.1	+0.2	-
Pen Euro Acc	38.2	40.3	+0.3	-

Ambassador Life Assce. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

	Bid	Offer	+ or -	Yield
Equity Fund Acc	169.1	178.1	+0.6	-

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LA 01-680 6000
Life Funds (Accumulation Units)

	Bid	Offer	+ or -	Yield
Premier Managed(z)	154.7	162.9	+0.2	-
Alpha Managed(z)	114 4	120.5	-1.0	-
HICA Managed(z)	95.6	100.5	+0.6	-
UK Equity(z)	119.3	125.7	-1.7	-
Deposit(z)	116.3	122.5	+0.1	-
Property(z)	154.2	162.5	-2.0	-
American(z)	98.4	103.7	-1.5	-
Far Eastern(z)	141.6	149.1	+0.7	-
International(z)	127.9	134.7	+0.2	-
Fixed Interest(z)	97.8	103.1	+0.1	-
European(z)	110.9	116.9	+1.0	-
Pension Funds (Accumulation Units)				
Premier Managed(z)	180.9	190.5	+0.3	-
Alpha Managed(z)	120.8	127.3	.....	-
HICA Managed(z)	98.8	103.9	+0.5	-
UK Equity(z)	130.5	137.6	-1.6	-
Deposit(z)	127.8	133.6	+0.1	-
Property(z)	180.5	190.1	-1.1	-
American(z)	100.2	105.6	-1.5	-
Far Eastern(z)	156.4	164.7	+0.9	-
International(z)	129.9	136.9	+0.3	-
Fixed Interest(z)	104.9	110.5	.....	-
European(z)	118.9	125.3	+1.4	-
Cash Guarantee(z)	109.8	115.7	+0.1	-

Initial Unit prices available on request.

Avon Insurance Plc
Tiddington Rd, Stratford-upon-Avon CV37 0789 204211

	Bid	Offer	+ or -	Yield
Bonus Fund	69.72	71.15	.....	-

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

	Bid	Offer	+ or -	Yield
Barclaybond	472.1	497.0	+2.3	-
Managed Accum	396.0	416.9	+1.3	-
Equity Accum	583.8	614.6	-0.3	-
Property Accum	331.2	348.7	+0.2	-
International Accum	342.4	360.5	+8.1	-
Gilt-edged Accum	299.0	351.6	-0.3	-
Money Accum	212.1	223.3	+0.3	-
American Accum	211.2	222.4	+2.1	-
Australia Accum	195.8	206.2	+0.4	-
Financial Accum	258.0	271.6	-0.7	-
"500" Accum	311.5	327.9	-0.3	-
European Grwth Accum	186.2	196.1	+3.8	-
Income Accum	348.3	366.7	-3.7	-
Japan & Gen Accum	514.2	541.3	+9.8	-
Leisure Accum	222.6	234.3	-0.7	-
Spec Sits Fd Accum	151.5	159.5	.....	-
Universal Tec Accum	125.4	132.1	+0.9	-
Smaller Co's Accum	121.2	127.6	+0.2	-
Do Initial	113.8	119.8	+0.1	-
Managed Pns Accum	579.2	609.7	+2.6	-
Equity Pns Accum	225.6	237.5	+0.2	-
Intnl Pns Accum	186.7	196.6	+2.7	-
Gilt-edged Pns Accum	376.6	396.5	-0.9	-
Money Pns Accum	344.4	362.6	.....	-
Property Pns Accum	177.9	187.3	.....	-
"500" Pens Accum	100.7	106.0	-0.2	-
Income Pens Accum	109.1	114.9	-0.4	-
Smaller Cos Pens Accum	108.6	114.4	+0.1	-
Special Sits Pens Accum	92.2	97.1	.....	-

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	125 0	132.0	+2 0	–
Building Soc. Fd.	177 0	187 0		–
Balanced	280 0	295 0	+1 0	–
European	196 0	207 0	+3.0	–
GT Managed	185 0	195 0	+1.0	–
Gartmore Mngd	129.0	136 0	+1 0	–
German	156 0	165.0	+1 0	–
Gilt	172 0	182.0	-1 0	–
Global	49 0	52 0		–
High Inc	106 0	112 0		–
International Equity	199 0	210 0	+3 0	–
Japan	292 0	308 0	+5 0	–
Managed	57 0	60 0	+1 0	–
Property	298.0	314 0		–
R W Imperial Gold	147.9	156 0		–
UK Equity	314 0	331 0	+1.0	–
Pension Funds				
American	151 0	159 0		–
Building Soc. Fd	181 0	191.0		–
Balanced	219 0	231 0		–
European	193 0	204 0		–
German	136 0	144 0		–
Gilt	153 0	162 0		–
International Equity	142 0	150 0		–
Japan	146 0	154 0		–
Managed	62 0	66.0		–
Property	228 0	240 0		–
UK Equity	302 0	318 0	+1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse Nelson Gate Southampton 0703 232323				
Pensions Managed Fund	94.41	99 80		–
Pensions Cash Fund	82 08	86 40		–
Prolific Life & Pensions Ltd				
Stramongate Kendal Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
98	96	Treas. 10pc Cv 1990	96		10.32	13.68
93	87	Exch 2½pc 1990	92¼		2.70	10.59
101	98⅛	Treas 11¾pc 1991	98⅛		11.97	13.50
93¼	89⅞	Funding 5¾pc '87-91	92¾		6.19	11.65
90⅞	86½	Treas. 3pc 1991	90		3.32	10.30
100	95	Treas 10pc Cv '91	95		10.41	12.76
101	96	Exch. 11pc 1991	97¼		11.30	12.58
94	91	Treas. 8pc 1991	92		8.69	12.53
106	100	Treas 12¾pc 1992	100		12.63	12.19
99½	95	Treas 10pc 1992	95		10.45	12.21
94	90	Treas. 8pc 1992	91		8.74	12.19
100¼	96	Treas 10½pc Cv 1992	96		10.84	12.03
85⅛	82¼	Treas. 3pc 1992	84		3.54	9.98
105	100	Exch. 12¼pc '92	100		12.19	12.00
109	103	Exch 13½pc 1992	103		13.01	11.86
94	90	Treas 8¼pc 1993	90		9.07	11.67
100	95	Treas 10pc 1993	95¾		10.44	11.54
108	102	Treas 12½pc 1993	102		12.19	11.61
88	84	Funding 6pc 1993	86		6.93	10.29
113¼	107	Treas 13¾pc 1993	107		12.83	11.46
94	89	Treas. 8½pc 1994	90		9.40	11.42
117	110	Treas 14½pc 1994	110		13.11	11.29
113	106	Exch 13½pc 1994	107		12.61	11.40
100⅞	95	Treas. 10pc Ln. 1994	95		10.44	11.22
110¼	103	Exch. 12½pc 1994	103		12.03	11.38
96	91	Treas 9pc 1994	91		9.80	11.17

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108	102	Treas 12pc 1995	102½	-½	11.71	11.32
79⅛	72	Exch 3pc Gas 90-95	76		3.45	8.62
101	95¾	Exch. 10¼pc 1995	96	-½	10.67	11.19
113	107	Treas 12¾pc 1995	107	-½	11.91	11.09
119	111	Treas. 14pc '96	111	-½	12.53	11.28
97½	91	Treas 9pc 1992-96	91		9.85	10.93
126	118	Treas 15¼pc 1996	118	-½	12.85	11.10
117	109	Exch 13¼pc 1996	109	-½	12.07	11.08
101	94	Conversion 10pc 1996	95		10.47	10.93
118½	110⅞	Treas 13¼pc 1997	110		11.96	11.01
104	97¼	Exch 10½pc 1997	97		10.73	10.92
95	88	Treas 8¾pc 1997	89		9.74	10.71
128	119	Exch 15pc 1997	119		12.52	11.15
100	93	Exch. 9¾pc 1998	94		10.34	10.81
84	78⅛	Treas 6¾pc 1995-98	80		8.45	10.39
134	125¼	Treas. 15½pc '98	125		12.37	10.94
113	105	Exch. 12pc 1998	106		11.30	10.89
100	93	Treas 9½pc 1999	94		10.12	10.54
115⅞	107	Exch. 12¼pc 1999	108		11.35	10.87
105	97	Treas. 10½pc 1999	98		10.66	10.75
104	96	Conversion 10¼pc 1999	97		10.56	10.73
94	86	Treas. 8½pc Ln 2000	87		9.68	10.46
97	90	Conversion 9pc 2000	90		9.90	10.47
122	112	Treas. 13pc 2000	113		11.48	10.85
103	95	Treas 10pc 2001	96		10.39	10.56
124	115	Treas. 14pc '98-01	115		12.09	11.08
102	94	Conversion 9¾pc 2001	94		10.28	10.51
113	105	Exch. 12pc '99-02	105		11.33	10.94
104	96	Conversion 10pc 2002	96		10.32	10.45
102	94	Treas 9¾pc 2002	95		10.24	10.42
97	89	Exch. 9pc 2002	90		9.95	10.35
126	117	Treas. 13¾pc 2000-03	117		11.69	10.89
105	97	Treas 10pc 2003	97		10.21	10.28
113	104	Treas. 11½pc 2001-04	105		10.94	10.70
106	97	Treas. 10pc 2004	98		10.18	10.24
59	54	Funding 3½pc '99-04	55		6.32	9.06
102	94	Conversion 9½pc 2004	94		10.02	10.17

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
103	94½	Conversion 9½pc 2005	95	-⅞	9.99	10.13

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
68	62	Treas. 5½pc 2008-12	62		8.80	9.56
89	81	Treas. 7¾pc 2012-15	81		9.50	9.71
132	119	Exch. 12pc '13-'17	120	-1	9.97	9.78

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45⅝	40	Consols 4pc	40		9.83	-
40	35	War Loan 3½pc	36		9.70	-
70	60	Conv. 3½pc '61 Aft	61		5.66	-
41	31	Treas. 3pc '66 Aft	32		9.32	-
30¼	25⅝	Consols 2½pc	25½		9.80	-
29½	25¼	Treas. 2½pc	25¼		9.90	-

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
112	103	Tr. 2pc '92 (97.8)	111		3.04	4.22
105	94	Do. 2pc '94 (102.9)	104		2.93	3.53
155	139	Do. 2pc '96 (67.9)	153		3.04	3.45
130	118	Do 2½pc '01 (78.3)	128		3.50	3.76
127	115	Do. 2½pc '03 (78.8)	125		3.59	3.82
131	117	Do. 2pc '06 (69.5)	128		3.61	3.80
123	110	Do. 2½pc '09 (78.8)	119½		3.61	3.79
128	114	Do. 2½pc '11 (74.6)	124½		3.60	3.76
106	95	Do. 2½pc '13 (89.2)	103		3.59	3.74
115	101	Do. 2½pc '16 (81.6)	111		3.55	3.69
112	100	Do. 2½pc '20 (83.0)	109		3.50	3.63
95	84	Do. 2½pc '24 (97.7)	92½		3.45	3.58

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108	99	African Dv Bk 11¼ Ln 2010	99	-¼	11.16	11.15
104	95	Asian Dev Bk 10¼pcLn2009	95		10.69	10.90
130	118	Australia 13½pc 2010	118		11.35	11.13
113	102	Do. 11¾pcLn2015	102		11.08	11.04
110	99	Euro Inv Bk 11pc Ln 2002	100		10.96	10.94
104	95	Do. 10¼pc2004	96		10.61	10.92
119	107	Int-Am Dev Bk 12½pc 2003	109		11.44	11.12
99	90	Do. 9¾pcLn 2015	90		10.74	10.83
97	91	Mlysia 10¼pcLn 2009	91	-1	11.36	11.94
120	110	Utd. Mexican States 16½pc 2008	110		15.00	14.90

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
111½	101½	Birmingham 11½pc 2012	101½		11.33	11.30
91	85½	GLC 6¾pc 1990-92	86½		7.80	13.90
124	115	Leeds 13½pc 2006	115½		11.69	11.36
33	30	Liverpool 3½pc Irred	30		11.67	-
95½	92	LCC 6¾pc '88-90	94½		7.14	12.80
30	26	Do. 3pc '20 Aft	28		10.71	-
107½	100½	Manchester 11½pc 2007	100½		11.44	11.40

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	87	-1	8.24	12.10
206	206	S Rhod 2½pc Non-Assd.	206		-	-
84½	84½	Do. 4½pc 87-92 Assd.	84½		5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100	98	N'wide Anglia 12½pc 4.12.89	99		12.32	16.16
100	99	Do 12⅞pc 2.1.90	99		12.86	15.44
100½	98¾	Do. 12¾pc 29.1.90	99½		12.64	15.31
100	98	Do 12⅞pc 26.2.90	99		13.00	15.36
100	98	Do 12¾pc 19.3.90	99		12.98	15.14
100	98	Do. 13⅜pc 23.4.90	99		13.48	15.33
100	98	Do. 13pc 14.5.90	99		13.13	15.20
100	98⅝	Do. 13⅞pc 4/6/90	99		13.73	15.18
100	99	Do. 14⅛pc 2.7.90	99		14.36	15.25
100	98	Do 13⅝pc 23.7.90	99		13.75	14.96
100	98	Do 13⅜pc 13.8.90	98		13.58	14.90
100	98	Do 13½pc Bds 3.9.90	99		13.64	14.73
107½	98½	Do. 3⅞pcIL Ln 2021	107¼	+¼	4.35	4.37
107½	99	Do. 4.25pcIL '24	106		4.35	4.31

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	45		6.67	10.86

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50		3.50	17.00
50	40	Do 6pc 28 Stb Ass.	50		3	16.00
50	40	Do 4pc Mixed Ass	50		2	14.00
80	65	Hung. '24 Ass	80		2.75	13.57
139	126	Hydro Quebec 15pc 2011	127		15.00	11.51
128	114	Iceland 14½pc Ln 2016	115		14.50	12.46
97¾	90	Ireland 9¾pc '91-96	90		9.75	11.50

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
44	26	Abbott Laboratories	44		$1.40	-	2.0
579p	361p	Allegheny & W 1c	458p	+2	30c	-	4.1
18	12	Amax $1	15		80c	-	3.3
11	6	Ambase Corp $1	8		20c	-	1.5
15	695p	Amdahl 5c	827p	+27	10c	-	0.8
37	25½	Amer. Cyanamid $5	33		$1.35	-	2.5
25	14	Amer. Express 60c	22		84c	-	2.4
28	15	American T & T $1	28		$1.20	-	2.7
41	26	Ameritech $1	38		$2.92	-	4.8
659p	490p	Asiamerica Equity	578p		-	-	-
22	9	BankAmerica $1	18		60c	-	2.1
37	19	Bankers N Y $1	29		$2.12	-	4.5
66	38½	Bell Atlantic $1	66		$4.40	-	4.2

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
15⅞	847p	Hasbro Inc 50c	13⅝	...	16c	—	0.7
57½	32¼	Honeywell $1½	50⅝	−⅜	$2.75	—	3.4
22⅝	15¼	Houston Inds	21⅝	−⅛	$2.96	—	8.7
76⅞	60⅞	IBM Corpn $1¼	64	+⅛	$4.84	—	4.8
60p	45p	Image Storage/R Sy. 1c	52p	+2	—	—	—
32⅛	18¼	Ingersoll-Rand $2	30	+⅛	$1.20	—	2.5
33¼	22½	Lockheed Crpn $1	24	...	$1.80	—	4.7
22⅝	12½	Lone Star Inds $1	13½	−⅛	$1.90	—	9.0
27⅞	17½	Louisiana Land 15c	26	+⅜	$1.00	—	2.4
20½	11½	Lowe's 50c	18⅝	+¼	48c	—	1.6
28	15	Manuf Hanover $1	23⅝	+¼	$3.28	—	8.8
22⅝	13	Merrill Lynch $1	16⅛	...	$1.00	—	3.8
24	19⅛	Molex Inc	21	−⅛	3.2c	—	—
30⅛	18⅛	Morgan (JP) $2½	28	+⅛	$1.06	—	3.8
28	24⅛	Morris (Philip)	26⅝	+⅛	$1.13	—	2.7
54	36⅛	NYNEX $1	53	+½	$4.36	—	5.2
44p	16p	N'wide Legal Serv.	22p	+2	—	—	—
24⅞	18¼	PHH Corp	23⅝	+¼	$1.16	—	3.1
259p	167p	Pacific Agr	180p	+13	—	—	—
28½	19	Pacificorp $3¼	27⅝	...	$2.76	—	6.0
30¼	16⅞	Pacific Telesis 10c	29⅛	+⅛	$1.88	—	4.1
22⅞	15¼	Pall Corp 25c	21½	−⅛	48c	—	1.4
55⅛	39	Pennzoil 83 1/3c	50⅝	+¼	$3.00	—	3.7
42¼	29⅛	Quaker Oats $5	35⅛	+⅜	$1.40	—	2.3
32⅛	23½	Rep NY Corpn $5	30	+⅛	$1.28	—	2.7
16	11	Rockwell Intl $1	13	+⅛	78c	—	3.6
29½	22	Sears, Roebuck 75c	24⅛	...	$2.00	—	5.2
37½	21⅝	Southwestern Bell $1	34⅞	+⅛	$2.60	—	4.7
27	17	Sun Co. Inc $1	25⅛	+⅛	$1.80	—	4.5
31¼	22	TRW Inc. 62½c	29	+⅛	$1.72	—	3.8
[illegible]	14⅛	TW Services $5	21⅛	...	[illegible]	—	[illegible]

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	γ	152	.....	†6.25	3.2	5.5	6.9
315	195	Anglia TV	β	250	–1	†7.75	3.3	4.1	9.7
*168	109	Avesco 1p	β	179	.....	g1.13	8.9	1.3	10.4
34	9	♦BCE Hldgs 5p	γ	18	.....	0.4	–	3.0	–
395	275	Barr & W.A.T. 'A'	γ	275	–10	†15.0	1.7	7.3	11.1
540	225	Boosey & Hawkes	γ	435	+10	†10.0	2.5	3.1	17.2
60	35	♦Border T.V.	γ	52	.....	2.0	3.4	5.1	7.6
423	317	Brent Walker 10p	β	343	–2	†11.0	3.6	4.3	6.9
117	79	Do 6pc Cv Cm Rd Pf	γ	92	.....	6.0	–	8.7	–
*103	80	Bucklngham Int'l 10p	γ	91	–1	–	–	–	–
344	153	Campari Int. 20p	γ	156	+1	8.5	3.9	7.3	4.1
1135	504	Capital Radio 10p	β	985	+2	18.0	♦	2.7	♦
958	662	Carlton Communctns	α	821	+1	†7.5	5.2	1.2	22.2
125	95	Do. 6.5p Prf	γ	105	.....	6.5	–	8.3	–
465	268	♦Castle Comms. 5p	γ	428	.....	8.5	♦	2.6	♦
823	579	Central ITV	β	705	+5	†25.5	2.5	4.8	10.7
248	129	Chrysalis	γ	135	.....	a3.43	0.1	3.4	–
140	50½	♦Cityvision 5p	β	137	–2	†80.5	10.1	0.5	27.0
38	10	Classic Th'tres In0.20	γ	11	.....	–	–	–	–
392	258	Compass Group 5p	β	337	–1	†7.2	2.7	2.8	17.4
*99	62½	European Leisure	γ	71xr	–6	g1.5	3.1	2.8	13.9
110	56	Ex Lands 10p	γ	59	.....	0.5	–	1.1	–
*117	85	Expedier Lns. 20p	γ	98	+1	–	–	–	30.3
675	437	Fairline Boats 10p	γ	438	–5	†13.5	5.6	–	7.1
248	149	First Leisure	β	214	.....	†2.93	3.3	1.8	21.7
755	595	♦GWR Group 20p	γ	595	.....	†3.0	11.3	0.7	15.5
73	45	Grampian TVA 10p	β	68xd	–½	†3.0	2.8	5.9	7.8
31	20	♦Greenwich Comm.	γ	26	.....	–	–	–	–
136	85	HTV Ord	β	122	.....	5.0	♦	5.5	♦
137	68	Hi-Tec Sports	γ	81	.....	4.5	2.6	7.4	6.8
27½	3	♦Int'l Media Cons. 5p	γ	6½	.....	–	–	–	–
255	160	♦Invicta Sound 10p	γ	183	.....	L2.7	♦	2.0	♦
68	41½	♦Kunick 10p	β	57	.....	†1.4	2.4	3.3	16.1
138	97	Do 7p Rd. Pf	γ	115	.....	7.0	–	8.1	–
237	157	LWT 5p	β	283	.....	†5.7	3.4	3.7	10.2
111	29	Leisure Inv 10p	β	39	+4	‡s1.75	1.4	‡	12.0
538	343	♦Marina Devs. 50p	γ	405	–2	7.5	1.9	2.5	27.4
200	149	Mecca Leisure 10p	α	150	.....	†a4.5a	1.8	4.1	18.4
110	83	Do 7.25p Cv Rd Pf 20p	γ	87	.....	7.25	–	11.1	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
39	20	Sleepy Kids 5p	γ	24	.....	–	–	–	–
*17½	5½	Staks Hldgs 5p.	γ	7	.....	–	–	–	13.0
*3¼	1¼	Swanyard Studios 1p	γ	1¼	.....	–	–	–	6.0
11	2½	System Connection 2½p	γ	2½	.....	–	–	–	3.3
50	28	Tavern Leis 20p	γ	39	.....	–	–	–	–
115	28	Tomorrows Leisure 20p	γ	84	.....	–	–	–	32.0
113	60	UPL Group 10p	γ	65	.....	2.75	1.9	5.6	12.3
150	129	Unit Group	γ	129	.....	5.0	3.3	5.2	7.3
100	66	Video Magic Leis. 1p	γ	82	+3	W2.0	0.7	3.3	65.7
14	4½	Vista Eats 5p	γ	4¼	.....	–	–	–	–
40	20	Vizcaya Hldgs 5p.	γ	23	+3	–	–	–	–
46½	23	Whitegate Leisure 20p.	γ	38	.....	–	–	–	–
32½	10	Do. Wrrnts.	γ	25	.....	–	–	–	–
10¼	4½	Wilton Group 1p	γ	5	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Albany Inv 20p	γ	86	–1
Craig & Rose £1	γ	830	.....
Finlay Pkg. 5p	γ	68	+2
Holt (Jos) 25p	γ	1343	.....

IRISH

Stock		Price	+ or –
Cap. 8½% Ln. 1991		£96¾	.....
9pc Cap Ln. 1996		£96½	.....
Fin. 13% 97/02		£111	.....
Arnotts		408	–5
Carrol (P.J.)	γ	145	.....
Hall (R. & H.)		195	+2
Helton Hldgs	γ	90	.....
IRG		250	.....
United Drug		145	+13

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark continues to rise

STERLING AND the dollar fell below important psychological levels against the D-Mark yesterday. The pound finished below DM2.80 and the dollar below DM1.80 in London. It was much the same story for the Japanese yen, where the D-Mark rose to its highest level for about two years, and broke through resistance at Y80.00.

Although the West German currency continues to advance, there is some unease about its present levels. This led to comments that the currency is being bought simply because it is going up, and that the market should take care not to get carried away with itself.

The Bank of England intervened, buying the pound against the dollar and Ecu, but it was mainly a D-Mark rise that caused nervousness in the market and not obvious sterling weakness.

Bearish UK press comment at the weekend added to the overall downward movement of the pound, but dealers said there was nothing new in any of this and there seemed no overriding reason to take out new short sterling positions. Interest rate differentials continue to favour the D-Mark against the yen and also to some extent against the dollar, while sterling is suffering from political as well as economic problems.

A possible challenge to Mrs Thatcher's leadership of the Conservative Party is causing some concern, even though the immediate threat may not be very dangerous. It is generally undermining confidence in the UK Government at a time when the market is still trying to assess the attitude towards sterling of Mr John Major, the new UK Chancellor.

Mr Major said at the weekend that he will raise bank base rates if necessary, but the market is not yet convinced that he is prepared to run the political risk of defending the currency at all costs.

The pound fell to its lowest level against the D-Mark since February 1987, finishing in London 2¾ pfennigs lower on the day, at DM2.7925. Sterling's decline against the dollar and yen was less severe. It lost 20 points to $1.5605 and fell to Y223.75 from Y224.25. In terms of other major currencies the pound fell to FFr9.5375 from FFr9.6250 and to SFr2.5050 from SFr2.5225. Sterling's index lost 0.5 to 86.2.

The dollar fell below DM1.80 and through support at DM1.7900 in New York, after the London close, in spite of surprisingly early action by the US Federal Reserve to drain liquidity from the New York banking system. This was seen as a possible sign that the Fed is not easing its credit stance.

At the London close the dollar had fallen to DM1.7900 from DM1.8050; to Y143.35 from Y143.45; to SFr1.6045 from SFr1.6150; and to FFr6.1125 from FFr6.1600. The dollar's index declined to 69.1 from 69.3.

The D-Mark maintained its attraction against the yen, finishing in London at Y80.08, compared with Y79.47 on Friday.

EURO-CURRENCY INTEREST RATES

Nov 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14⅝	15-14¾	15⅛-15	15⅜-15⅛	15⅛-14⅞	14⅞-14⅝
US Dollar	8¾-8½	8⅝-8⅜	8⅝-8½	8¾-8⅝	8¼-8	8⅛-7⅞
Can. Dollar	11⅞-11¾	12-11¾	11⅞-11⅞	12⅛-11⅞	11⅞-11¾	11¾-11⅝
D. Guilder	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅞-8¾	8⅞-8⅝
Sw. Franc	6¾-6⅝	6¾-6⅝	7¼-7	7¾-7⅝	7⅝-7½	7⅝-7½
Deutschmark	7¾-7⅝	7⅝-7½	7⅞-7¾	8¼-8	8¼-8⅛	8⅜-8¼
Fr. Franc	10⅛-10¼	10⅛-10¼	10⅜-10⅛	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜
Italian Lira	12-10	14-13	13⅛-12⅛	13-12⅞	12⅞-12⅝	13⅛-12⅞
B. Fr. (Fin)	9⅞-9⅛	9⅞-9⅛	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
B. Fr. (Con)	10-9⅝	10-9⅝	10⅛-9¾	10⅛-9¾	10⅛-9¾	10⅛-9¾

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Finland	6.5770-6.5895	4.2160-4.2180
Greece	252.65-257.15	162.35-164.95
Hong Kong	12.1730-12.1860	7.8090-7.8110
Iran	113.20*	71.50*
Korea(Sth)	1040.70-1057.45	670.10-675.30
Kuwait	0.46540-0.46680	0.29860-0.29930
Luxembourg	58.60-58.70	37.55-37.65
Malaysia	4.2085-4.2190	2.7000-2.7020
Mexico	4139.70-4143.55	2654.50-2655.50
N. Zealand	2.6455-2.6515	1.6965-1.6995
Saudi Ar.	5.8460-5.8515	3.7505-3.7515
Singapore	3.0430-3.0480	1.9520-1.9540
S. Af (Cm)	4.0655-4.0760	2.6090-2.6120
S. Af (Fn)	6.1335-6.2570	3.9370-4.0160
Taiwan	40.60-40.70	26.05-26.10
U.A.E.	5.7235-5.7290	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov 27	£	$	DM	Yen	F Fr.	S Fr.
£	1	1.561	2.793	223.8	9.538	2.505
$	0.641	1	1.789	143.4	6.110	1.605
DM	0.358	0.559	1	80.13	3.415	0.897
YEN	4.468	6.975	12.48	1000.	42.62	11.19
F Fr.	1.048	1.637	2.928	234.6	10.	2.626
S Fr.	0.399	0.623	1.115	89.34	3.808	1
H Fl.	0.318	0.496	0.887	71.09	3.030	0.798
Lira	0.485	0.757	1.355	108.5	4.626	1.215
C $	0.550	0.858	1.535	123.0	5.244	1.377
B Fr.	1.705	2.662	4.762	381.6	16.26	4.271

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EUROVOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

POUND-$ (FOREIGN EXCHANGE)

DEUTSCHE MARK (IMM)

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

US TREASURY BONDS 8%

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

PHILADELPHIA SE £/$ OPTIONS

6% NOTIONAL GERMAN GOVT. BOND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH EUROMARK

THREE MONTH ECU

FT-SE 100 INDEX

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 48,512

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

No strong pressure

THE POUND'S fall below DM2.80 did not provoke any strong reaction on the London money market yesterday. Wholesale rates moved nervously higher, but there was no sign of panic as three-month interbank rose to $15\frac{3}{16}$-$15\frac{1}{16}$ from $15\frac{1}{16}$-15 per cent. A rise in bank base rates is not yet regarded as inevitable, with dealers suggesting that sterling still has some way to fall before the authorities will be forced into higher rates.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England kept the short end of the market tight however, and to discourage speculation against the pound did not supply enough assistance to take out the full *underlying shortage*. A *money* market credit shortage of £300m was forecast but help of only £178m was provided.

There was on intervention in the market by the central bank before lunch, but in the afternoon £163m bills were bought, by way of £28m bank bills in band 1 at 14⅞ per cent; £14m Treasury bills in band 2 at 14¾ per cent; and £121m bank bills in band 2 at $14\frac{3}{4}$-$14\frac{25}{32}$ per cent. Late assistance of around £15m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £892m, with bank balances below target absorbing £30m. These outweighed Exchequer transactions adding £110m to liquidity and a fall in the note circulation of £530m.

In New York the Federal Reserve drained reserves about one hour earlier than usual daily operations. Federal funds were trading at $8\frac{7}{16}$ per cent, against an assumed target level of 8¼ per cent, when the Fed drained liquidity via overnight matched sale and repurchase agreements.

There may have been a technical reason for the Fed's action, after the Thanksgiving holiday which tended to develop into a long week-end. On the other hand, it could mean that widespread belief that the Fed has eased its credit policy will prove *unfounded*.

In Paris the Bank of France left its intervention rate at 9½ per cent when injecting funds through a securities repurchase tender.

In *Frankfurt* call money rose to 7.30 per cent from 7.20 per cent as banks bid for money to meet monthly reserve requirements. The average for the first 23 day's of November was DM59.2bn, against an average minimum requirement for the whole month of DM56.9bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.27) 3 months US dollars — bid 8⅝ offer 8¾ | 6 months US Dollars — bid 8 offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

LONDON MONEY RATES

BASE LENDING RATES

JOTTER PAD

CROSSWORD

No.7,101 Set by FETTLER

ACROSS
1 One who procures through investing an old penny (6)
4 Tar, it is said, smelled; so was kept away (8)
9 Gold on buttocks is singularly decorative (6)
10 See spore casing waste away, once disseminated (4-4)
11 Free press, literally, won't be shut up (6)
12 Persuasive advocates of matrimony (8)
13 Topper that is without a crown (3)
14 Wanting gymnastics? Swinging trapezes are a substitute (6)
17 Threats, designed to upset (7)
21 Join back and fold to make a wattle (6)
23 Glowering shows a hint of rage returning (8)
26 French on lever? Ooh la la expresses it (6)
27 Salt aliens sprinkled liberally (8)
28 Commits to making test runs (8)
29 Unruly youth, besieging pub, is put in the can (6)
30 Square object babe produces in this process (8)
31 Accepted silver pen (6)

DOWN
1 Publicists mooted display and encouraged sales (8)
2 Rubbish, nasty or nauseous, starts to smell perhaps (8)
3 Beseeches: "Make street neater" (8)
5 Disease that's ruinous if left in bay (8)
6 Strives to get expenses about right (6)
7 Sol round, old and long, that's the Albert Hall (7)
8 Was Robey ostentatious? (5)
12 Jack's anger - Jock's cross (7)
15 Zebra's first to stop for such a crossing (3)
16 The German revolutionary? (3)
18 In short, Lizzie Borden's leisure occupation (8)
19 When trifling, losing head leads to marriage (8)
20 What can be added to one with pages closed? (8)
22 Agree to advancement, we hear (6)
23 Die with tail up and get wreathe (6)
24 River bend (6)
25 In darris a tinge of indigo's evident (6)

Solution to Puzzle No.7,100

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · HONG KONG · AUSTRALIA · SINGAPORE

[illegible]

CANADA

TORONTO

2pm prices November 27

Quotations in cents unless marked $

[illegible]

INDICES

NEW YORK

DOW JONES	Nov. 24	Nov. 23	Nov. 22	Nov. 21	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2675.55	(c)	2656.78	2639.29	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.54	(c)	93.57	93.61	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1176.03	(c)	1166.43	1158.25	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.58	(c)	221.33	220.01	222.40 (16/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2686.01 (- -) Low 2657.00 (- -)

STANDARD AND POOR'S	Nov. 24	Nov. 23	Nov. 22	Nov. 21	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.97	(c)	341.91	339.59	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	392.98	(c)	390.58	387.65	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.70	(c)	32.50	32.45	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	190.29	(c)	189.21	188.05	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	373.14	(c)	371.72	370.98	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.63	(c)	455.14	454.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 17	Nov 10	Nov 3	year ago (approx.)
Dow Industrial Div. Yield	3.93	3.94	3.93	3.83
	Nov 15	**Nov 8**	**Nov 1**	**year ago (approx.)**
S & P Industrial div. yield	2.98	3.00	2.97	3.27
S & P Indl. P/E ratio	14.40	14.29	14.25	12.39

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Unisys Corp	3,459,500	16	+ 1½
Texas Util	2,224,900	35	+ ⅛
Texas Instr	1,819,000	37⅞	+ 1⅛
McDonalds (xd)	1,249,300	32⅞	+ ¼
Philip Morris	965,000	41½	+ ⅛
Homestake	964,700	19⅜	+ 1¼
Unocal Corp	947,000	27⅝	+ ½
Bristol Myers	923,000	56⅜	+ ¼
Noest Util	888,000	22	—
Gen Electric	887,000	60⅛	—

TRADING ACTIVITY

† Volume Millions	Nov 24	Nov 23	Nov 22
New York	86.290	(c)	145.730
Amex	6.631	(c)	13.102
NASDAQ	53.676	(c)	139.771
Issues Traded	1,891	-	1,968
Rises	914	-	882
Falls	457	-	541
Unchanged	520	-	545
New Highs	62	-	48
New Lows	21	-	58

CANADA

TORONTO	Nov 24	Nov 23	Nov 22	Nov 21	1989 HIGH	1989 LOW
Metals & Minerals	3342.52	3337.66	3351.96	3362.20	3919.2 (1/9)	3207.5 (3/1)
Composite	3933.48	3915.77	3920.55	3933.61	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2001.45	1993.68	1993.68	1995.37	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 27	Nov. 24	Nov. 23	Nov. 22	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1614.1	1615.9	1631.9	1637.7	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	821.4	822.9	834.5	839.1	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	414.14	409.08	407.60	407.48	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6571.81	6574.12	6578.57	6580.19	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	358.59	359.26	358.99	357.22	359.26 (24/11)	275.49 (27/2)
FINLAND						
Unitas General (1975)	590.2	591.4	580.8	591.6	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	522.8	519.6	517.8	514.1	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	119.7	119.4	118.4	117.9	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	660.60	655.28	648.36	(c)	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1945.9	1932.8	1911.0	(c)	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1564.37	1556.51	1534.68	(c)	1658.12 (11/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2777.10	2808.53	2800.79	2812.02	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1678.82	1678.81	1677.22	1677.69	1848.95 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	670.71	670.36	667.88	665.39	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	36881.53	36484.47	(c)	36286.92	36881.53 (27/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2795.38	2759.60	(c)	2737.20	2795.38 (27/11)	2366.91 (6/1)
2nd Section (4/1/68)	3698.61	3708.07	(c)	3704.55	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	254.8	253.4	252.8	250.8	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	195.6	194.5	194.1	192.6	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	612.23	615.54	614.30	609.87	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1352.10	1369.41	1375.55	1386.52	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1393.65	1385.27	1378.05	1361.67	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2138.0	2149.0	2182.0	2113.0	2149.0 (24/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	(u)	2578.0	2578.0	2572.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	896.61	907.44	890.66	889.15	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	304.10	301.13	300.14	299.16	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3899.2	3875.4	3884.5	3870.6	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	755.0	754.0	750.7	744.4	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9588.07	9878.61	10094.44	9995.28	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	755.97	751.58	762.21	789.27	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	538.8	534.1	533.8	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.25: Taiwan Weighted Price: 9773.56. Korea Comp Ex. 905.89.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday November 27 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo M Ide.	45.4m	830	+40
Nippon Steel	40.2m	799	+32
Sumitomo Mt M	35.9m	2,290	+60
MHI	22.8m	1,180	+40
Mitsui E&S	21.5m	958	+34
Toyo Rubber	20.8m	1,980	+100
NKK	70.4m	798	+33
Marubeni	19.6m	1,000	+14
NYK Line	17.9m	1,190	+60
Nippon Oil	16.8m	1,760	+60

3pm prices November 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	22⅝	AAR	.48	1.4	22	381	35⅜	34⅞	35⅜	+ ⅜
9⅝	8⅝	ACM n	1.01	11.		227	9½	9⅜	9½	+ ⅛
11⅞	10¼	ACMIn	1.26	11.		460	11⅞	11⅜	11⅜	+ ⅛
10⅛	8	ACM M	n1.01	12.		107	8⅝	8½	8⅝	+ ⅛
11½	10	ACM Sc	1.26	11.		x452	11⅛	11⅛	11⅛	
9⅝	8⅜	ACMSp	1.01	11.		285	9⅜	9⅝	9⅝	
18	11½	AL Lab	.12	.8	16	37	16	15⅞	16	
4⅛	3⅛	AMCA	.12e	3.8	23	x32	3⅞	3⅛	3⅞	+ ⅛
6⅛	4⅞	AM Intl			11	384	5⅛	5	6⅛	
23½	18⅝	AM In pf	2	8.6		16	20⅞	20⅛	20⅞	+ ⅛
107¼	48⅝	AMR			8	2170	66½	65⅛	65½	– 1
27	25	ANR pf	2.67	10.		1	25⅝	25⅝	25⅝	
6½	3⅝	ARX				30	3⅝	3⅝	3⅝	– ⅛
57½	37⅜	ASA	3a	5.4		1431	56⅝	55½	55⅝	– 1½
30¼	15¼	AVX	.24	.8	28	139	29¼	29	29¼	+ ¼
69¼	44½	AbtLab	1.40	2.0	19	3452	u70⅞	69¼	70	+ ⅜
18¼	12⅛	Abitibi g	1			29	13	12⅞	13	
13	7⅞	AcmeC	.40	4.1	13	95	9¼	9⅝	9⅝	+ ⅛
9¼	5⅞	AcmeE	.32	3.9	11	70	8⅛	8⅛	8⅛	– ⅛
39½	20⅞	Acuson			25	151	37⅛	36⅞	37	– ⅛
16⅝	12⅞	AdaEx	2.08e	13.		73	16½	16¼	16⅜	+ ⅛
12⅝	6½	Adobe				45	12⅝	12¼	12¼	– ⅛
10½	7⅛	AMD				2756	7⅝	7½	7½	– ⅛
35	28½	AMD pf	3	10.		x63	30	29⅞	30	+ ⅛
10⅛	6⅝	Advest	.16	1.9	13	22	8⅝	8⅝	8⅝	
62½	46	AetnLf	2.76	4.5	10	2643	61⅞	60⅞	60⅞	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8	4 7/8	RodRen				46	6	5 7/8	6	+ 1/8
37 1/2	30 1/4	RoHaas	1.20	3.8	11	506	31 5/8	31 1/2	31 5/8	+ 1/4
37 7/8	19 1/2	Rohr			25	262	21 1/8	20 3/8	20 1/2	− 3/4
13 1/4	9 1/2	RollinE	.08	.7		907	11 1/8	10 7/8	11	+ 1/8
21	16 3/4	Rollins	.54	3.1	18	75	17 3/8	17 1/4	17 1/4	− 1/8
46	30 1/4	Rorer	.84	1.9	21	1684	44 3/8	43 7/8	44 3/8	+ 1/2
9 7/8	4 7/8	Rowan				765	9 3/4	9 1/2	9 3/4	+ 1/4
25	23 1/4	RBSct pr				197	25	24 3/4	24 3/4	− 1/4
70 1/8	58 1/4	RoylD	a3.30e	4.9	7	2909	68 1/2	68	68 1/2	+ 1/2
16	8 1/2	RoyInt	.20a	2.3	11	16	9	8 7/8	8 7/8	− 1/8
10	7 7/8	Royce	.51e	5.4		101	9 1/2	9 3/8	9 1/2	+ 1/8
37 5/8	24	Rubmd	.52	1.4	25	611	37	36 1/8	36 1/8	− 3/8
21 1/4	14 1/8	RussBr	.40	2.5	18	12	16 5/8	16 1/2	16 1/2	− 1/8
15	10 3/8	RussTg	.20	1.8	48	64	11 5/8	11 3/8	11 3/8	− 3/8
25 5/8	15 3/8	Russell	.28	1.2	16	574	23 1/2	23 3/8	23 3/8	− 1/8
31 1/8	20 1/4	Ryder	.60	2.8	24	3855	21 7/8	21 3/8	21 1/2	+ 1/8
29 1/2	19 7/8	Rykoff s	.60	2.6	14	166	24 1/2	23 3/4	23 3/4	− 3/4
25 1/4	18	Ryland	.60	2.9	8	89	20 7/8	20 5/8	20 5/8	− 1/8
14 3/4	8 1/8	Rymer				10	10	10	10	+ 1/8
		— S — S — S —								
38 5/8	31	SCEcp	2.68	6.7	11	648	38 1/8	37 3/4	38 1/8	+ 1/4
13 3/8	8 7/8	SCOR U	.20e	1.5	13	11	13 1/4	13 1/8	13 1/4	+ 1/8
9 1/2	7 1/4	SL Ind	.17b	1.9	16	10	8 7/8	8 7/8	8 7/8	
60 1/4	41 1/2	SPSTec	1.20	2.6	12	261	46 3/4	45 1/2	45 1/2	− 1/2
36 5/8	25 7/8	SPX Cp	1	3.2	8	37	31 1/4	31 1/8	31 1/8	− 1/2
[illegible]										
49	44 1/2	Xerox pf4.13		8.7		z2	47 1/2	47 1/2	47 1/2	+ 1/2
44 1/4	23 3/4	XTRA	.72	2.9	8	84	24 7/8	24 1/2	24 7/8	+ 3/8
33	21 1/4	XTRA pf1.94		8.7		12	22 1/4	22 1/4	22 1/4	+ 1/4
4 1/4	2	Zapata				655	2 5/8	2 1/2	2 1/2	− 1/8
13 1/4	9 3/4	Zemex	.40	4.3		1	9 3/8	9 3/8	9 3/8	
21 1/2	11 1/2	ZenithE				1111	12 3/4	12 1/8	12 3/4	
2 1/2	7-32	vjZenLb				947	5-16	1/4	1/4	− 1-32
21 1/2	15 3/4	ZenNtl	.84	4.6	9	85	18 1/2	18 1/4	18 1/4	− 1/4
10	6 7/8	Zenix	1.20	16.		70	7 5/8	7 3/8	7 5/8	+ 1/8
18 1/2	12 1/2	Zero s	.40	2.7	14	67	15	14 3/4	14 7/8	
44 1/4	25 3/4	Zurnln	.76	2.0	18	64	38 5/8	38 1/2	38 1/2	− 1/4
12 5/8	10	Zweig	1.12e	9.2		315	12 1/8	12	12 1/8	+ 1/8
9 3/4	8 1/4	ZweigTl	.96	10.		927	9 1/4	9 1/8	9 1/8	− 1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PlyGem	.12	11	228	11 1/8	11 1/8	11 1/8	
Presd B		172	115	6 7/8	6 7/8	6 7/8	− 1/8
Presd A	.16		280	8	8	8	
ProCm s			11	4 3/4	4 3/4	4 3/4	
[illegible]							
HomeSh			1997	6 1/8	6	6 1/8	+ 1/8
Hormel	.52	16	193	33 3/8	32 7/8	33 1/4	+ 3/8
HrnHar			675	6 1/2	6 1/4	6 1/2	
HouOT	.01e	27	3243	1 7/8	1 3/4	1 7/8	+ 1/8
HovnEn		7	114	9	8 3/4	8 3/4	− 1/4
— I — I —							
ICH		13	314	6	5 7/8	5 7/8	− 1/8
ISS	.24	14	z10	8 1/4	8 1/4	8 1/4	+ 1/4
ImpOil	g1.80		x60	52 1/4	51 3/4	52	+ 1/8
InstSy		10	200	1 3/4	1 3/4	1 3/4	
[illegible]							
Olsten s	.24	14	77	17 1/2	17 3/8	17 3/8	
OOKiep	1.14e	3	22	10 1/2	10 3/8	10 1/2	+ 1/2
PallCp	.46	23	363	34 3/8	33 7/8	34	+ 3/8
PegGld	.10e	33	1233	14 5/8	14 1/4	14 1/2	− 1/4
PeopBc	.56	9	4	18 1/2	18 1/2	18 1/2	
PerinIC	.80	68	4	35 3/8	35 1/4	35 3/8	− 1/4
PitHost	1.83		16	14 1/4	14	14 1/4	
PhlLD	.15e	12	180	22 1/4	22	22 1/4	− 1/8
PionrSy			5	1/8	1/8	1/8	
Pittway	1.80	14	1	101	101	101	+ 1/2
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices November 27

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wesmrk		30 101	49 1/4	48 3/4	49 1/4	+ 1/4
WmorC		13 98	22 1/4	21 3/4	21 3/4	− 1
Weston		288 42	8 7/8	8 5/8	8 5/8	− 1/4
WstwOn		1544	9 1/2	9	9 1/2	+ 1/4
Wetrra	.80	15 159	28 3/8	28 1/8	28 1/4	− 3/8
Whlclub		22 413	13	12 7/8	13	− 1/8
WillyJ A	1.10	94 32	62 1/4	61	61	− 1
Willamt	1.45	7 1252	51 1/2	50 1/4	51 1/2	+ 1/4
WmSon s		27 8	28 1/4	28 1/4	28 1/4	
WilmTr	1.24	12 19	39 1/4	38 3/4	39 1/4	
WiscTy		19 111	12 1/2	12 1/8	12 1/2	+ 1/4
WiserO	.40	33 z102	19 3/8	19 1/4	19 1/2	− 1/8
Wolohn	.28b	10 10	17 1/4	17	17 1/4	+ 1/4
WivEx h		617	11 5/8	11	11 1/4	− 1/2
Worthg	.56	18 187	25	24 5/8	24 7/8	+ 1/4
Wyman	.80	x347	14 1/2	14	14 1/4	− 1/4
— X — Y — Z —						
XL Dta s		11 632	15 1/4	14 1/8	14 1/8	− 3/8
XOMA		677	21	20 1/4	21	+ 1/4
Xicor		8 3578	4 1/8	3 7/8	4 1/8	+ 1/8
YanEnS	.76e	63	21 1/4	21	21 1/4	
YlowF	.76	12 954	26 1/4	25 1/4	26	+ 1/4
YorkRs		38	7 1/2	7	7	− 1/8
ZionUt	1.44	217	29 1/2	29	29	+ 1/2

FINANCIAL TIMES
Tuesday November 28 1989

AMERICA

Doubts over Fed's policy trim Dow's early gains

Wall Street

AFTER A sluggish start as the Treasury bond market moved lower on concern that the US Federal Reserve might not have eased last week, the equity market bounced strongly before dipping back again, *writes Janet Bush in New York.*

During morning trading, the Dow Jones Industrial Average, which outperformed other key indices last Wednesday and Friday, rallied to show a gain of more than 20 points. However, buying ran out of steam and the Dow slumped back to stand only 5.98 points higher at 2 pm at 2,681.53.

Volume was moderate, with 96m shares changing hands at midsession. The Dow had closed 18.77 points higher last Friday at 2,675.55.

From a technical standpoint, the rallies on Wednesday and Friday last week, of 17.49 points and 18.77 points (the market was closed last Thursday for Thanksgiving), were not particularly impressive, with the broad market lagging the Dow blue chip index in light trading. Yesterday morning, the market seemed rapidly to run out of steam.

The bounce in mid-morning came in spite of a downturn across the maturity spectrum in the bond market, where prices were generally quoted about ¼ point to ⅜ point lower at midsession.

The bond market lost confidence that last Wednesday's five-day repurchase agreements had signalled another Fed easing to bring the Fed Funds rate to 8¼ per cent from 8½ per cent. After Wednesday's aggressive adding operation, the Fed drained on both Friday and yesterday, making its wishes for the Fed Funds rate unclear.

The rally in stocks, in spite of weakness in bonds, seemed to occur because the equity market was slow to pick up on this concern in the bond market. Equity dealers cited optimism about lower interest rates and expectations that leading money centre banks will this week lower their prime lending rates as fuel for the short burst of buying.

Another interesting highlight of the markets was the price of gold, which rallied strongly to $418 an ounce on Friday. Yesterday, precious metals stocks came off their highs as gold retreated from Friday's peak to $414.25 at midsession.

Newmont Gold fell $1⅛ to $50⅝, Battle Mountain Gold dipped $¼ to $17½ and Homestake Mining slipped $⅜ to $19.

Among featured individual stocks, Chevron jumped $1¼ to $66¼ on persistent speculation that Pennzoil is building a stake in the company.

Perkin-Elmer added $¾ to $23¼ on a US press report that Nikon Corp of Japan is viewed as the leading bidder for the company's semiconductor equipment operations.

Blockbuster Entertainment fell $1 to $18⅝ on news that United Artists Entertainment plans to sell its stake in the company of 7.6m shares.

Cray Research rose $1⅜ to $34¼ after a Prudential-Bache analyst reiterated a recommendation to accumulate stock on both a near-term and long-term basis.

Vivigen fell $1¾ to $26 in over-the-counter trading on an assessment in Barron's, the weekly magazine, that the stock is trading at a pricey 38 times earnings and faces slowing growth.

Canada

LETHARGIC TRADING left Toronto stocks down slightly by midsession. The composite index lost 5.0 to 3,928.5 on volume of 12m shares. Declines led advances by 278 to 199.

Gold shares declined as the bullion price fell after last week's strong gains eased gold sector prices. Corona lost C$¼ to C$10⅜. Corona and Rayrock Yellowknife Resources bought US Gold Corp's interest in the Dee gold mine for US$4.07m. Corona said the purchase would add about 6,600 ounces per year to each of the buyers' production totals.

Inco fell C$1¼ to C$32½ as nickel prices declined.

EUROPE

Takeover moves and talk breathe life into trading

TAKEOVER NEWS and speculation enlivened bourses yesterday; profit-taking eroded West German gains, while Wall Street's early advance boosted those markets still open, *writes Our Markets Staff.*

FRANKFURT ran into profit-taking, after an early rise which saw Deutsche Bank up to DM703 in pre-bourse trading following its agreed bid for Morgan Grenfell of the UK, and which featured strong demand from foreign institutional investors.

The FAZ index gained 5.32 to 660.60 at midsession, and the DAX peaked at an intra-day high of 1,563.58, a rise of 49.49 (or 3.3 per cent) since last Wednesday's holiday. Unfortunately, domestic investors concentrated on a setback in the bond market and the DAX closed 1.14 lower at 1,554.37.

Volume stayed healthy at DM5.2bn, down from DM5.3bn last Friday, and Deutsche Bank topped the most-actives list in turnover of DM617m; after all the early enthusiasm, it closed 50 pfg lower at DM696.

Elsewhere, chemicals were weak after Bayer's third-quarter profits came out much as expected, but Metallgesellschaft gained DM7 to DM540 after its Lurgi engineering subsidiary announced a DM225m order from East Germany.

PARIS opened with a small gain, swung into negative territory and then bounced back again on Wall Street's opening rise – all in fairly low volume.

The OMF 50 index added 1.08 to 509.32 and the CAC 40 rose 5.72 to 1,863.81. Turnover was estimated at a maximum of FFr1.5bn, compared with Friday's FFr1.9bn.

Navigation Mixte, the target of a hostile bid by Paribas, was one of the top 20 most active stocks in spite of being suspended at FFr1,888, up FFr37, in morning trading. Paribas said that it had raised its offer to FFr1,887 a share from FFr1,850 – a 2 per cent rise triggered by takeover rules when a predator buys shares on the open market at a higher price than its formal offer. Paribas picked up FFr2 to FFr606.

One of the most active stocks was Suez, which rose FFr3.90 to FFr408.90 on news that it had been outbid by Deutsche Bank for Morgan Grenfell, the UK merchant bank. Banque Indosuez, Suez's merchant banking arm, had reached a conditional agreement last month to buy 20.4 per cent of Morgan Grenfell.

MILAN petered out after an early burst of buying interest, and the Comit index scraped a rise of 0.35 to 670.71. However, it saw notable volume in Enimont, the chemical company formed by a merger of Montedison and Eni interests.

Enimont was floated earlier this year and, almost immediately, its performance and prospects combined to depress the shares. However, it has risen 10 per cent over the past two trading days, including L46 yesterday to L1,498; Montedison, seeing a promised tax windfall delayed, has been talking about revising its relationship with Eni, and speculation has been rife.

Elsewhere, Fiat rose another L85 to L11,295, expecting the announcement of a Soviet joint venture today.

MADRID saw renewed interest in individual stocks, as the general index continued to hold above the 300 level, and as wariness about expected budget measures this year abated. The index added 2.97 to 304.10 in moderate volume.

The insurance and construction sectors were strong. Mapfre, traded on the continuous market, rose Pta350, or 4 per cent, to Pta8,800 after its recent successful rights issue.

AMSTERDAM was encouraged by a stronger opening on Wall Street and most blue chips made small gains. The CBS tendency index rose 0.7 to 182.2 in quiet trading.

Insurers gained, with Aegon, which announces third-quarter results tomorrow, up Fl 1.30 at Fl 111. Ahold, the retailer, which also reports tomorrow, rose 40 cents to Fl 131.40.

ZURICH survived a bout of profit-taking, and the Crédit Suisse index rose 1.8 to 618.7; but foreign and large Swiss institutional investors stayed on the sidelines.

STOCKHOLM saw a revival in market sentiment after a long period of declines and prices closed higher across the board. The Affärsvärlden General index rose 7.0 to 1,135.9 but turnover was only modest at SKr225m.

Trading in Volvo shares was relatively busy, with prices thought to have come down to attractive levels. Volvo free B shares rose SKr5 to SKr401.

COPENHAGEN was quiet as the market waited for today's expected announcement from insurer Baltica on its plans for a tie-up with France's Suez.

The bourse index fell 0.67 to 358.59. Superfos, the food group, fell DKr130 to DKr5,820 on profit-taking. Carlsberg rose DKr8.30 to DKr1,510 after reporting a 17 per cent rise in net profits.

HELSINKI closed lower in thin trading as interest rates rose sharply and depressed the market. The Unitas all-share index fell 1.2 to 590.2.

OSLO also had worries about higher interest rates and share prices ended slightly lower in subdued trading. The all-share index was 1.74 down at 474.72 in trading worth NKr104.3m.

Elkem, buoyed by rumours that it could be a takeover target, rose NKr5 to NKr175.

BRUSSELS had another lacklustre session and the cash market index lost 2.31 to 6,571.81.

South Africa shines as gold proves the lure

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	−1.46	−3.93	+54.62	+54.11	+75.87
Belgium	+0.87	+4.94	+13.66	+10.22	+25.60
Denmark	+1.45	+7.72	+56.32	+38.33	+56.62
Finland	−2.17	−4.44	−8.49	−7.52	+5.56
France	+1.13	+2.81	+28.64	+20.90	+37.64
West Germany	+1.34	+5.64	+22.50	+18.15	+34.43
Ireland	+1.03	+0.63	+28.65	+25.90	+41.60
Italy	+2.50	+4.93	+11.20	+10.04	+25.07
Netherlands	+0.66	+1.19	+23.49	+16.99	+33.20
Norway	+0.60	+3.44	+44.96	+30.19	+44.15
Spain	+1.94	−1.78	+4.75	+7.92	+22.31
Sweden	−2.29	−6.44	+28.12	+17.41	+29.69
Switzerland	+2.54	+3.25	+24.09	+22.78	+32.22
UK	−0.07	+4.72	+20.63	+21.20	+21.20
EUROPE	+0.76	+3.75	+21.20	+19.11	+27.81
Australia	−1.30	−1.92	+7.97	+9.53	+16.42
Hong Kong	+0.28	+5.14	+9.02	+6.46	+23.19
Japan	+1.62	+2.70	+18.27	+14.02	+15.02
Malaysia	+3.33	+6.42	+44.82	+40.89	+63.40
New Zealand	−0.51	−0.60	+16.58	+18.83	+28.36
Singapore	+3.25	+6.73	+35.71	+31.12	+51.07
Canada	−0.54	+0.41	+20.88	+16.15	+37.47
USA	+0.63	+2.59	+28.20	+23.38	+42.84
Mexico	−0.43	−3.82	+84.78	+105.69	+105.96
South Africa	+4.17	+11.74	+58.32	+52.71	+71.71
WORLD INDEX	+1.04	+2.84	+21.85	+17.97	+26.75

† Based on Friday, November 24, 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

IT WAS a two-to-one win for advancing stock markets over declining ones last week. Steady gains by leading exchanges, including the US and Japan, helped the FT-Actuaries World Index to rise by more than 1 per cent.

South Africa, with a golden glint in its eye, was the best performer of the week. A surge in the bullion price pulled the South African index more than 4 per cent higher, as foreigners *chased mining stocks.* There was some midweek profit-taking, but it was only slight, and the rally by golds helped the JSE Industrials advance to record levels.

The gold rush also buoyed related shares in Canada and Australia, but was unable to prevent a 1.3 per cent fall in the latter as economic gloom persisted. Rights issues announced in midweek in Canada by Lac Minerals and American Barrick Resources also took the edge off gold shares there, leaving the market 0.5 per cent lower.

In spite of the decline in Australia, the Asia Pacific region was one of the strongest last week. Japan advanced by 1.6 per cent, as the Nikkei average reached three consecutive all-time highs. The market began the week rather tentatively, fearing a rise in the official discount rate, but, as the week passed, the belief grew that interest rates had peaked and the buyers flooded back.

Malaysia and Singapore made the world's two best improvements after South Africa, both rising by more than 3 per cent. Interest in *Malaysia focused on takeover* speculation, and on companies expected to be involved in the building of the second causeway linking the country with Singapore, and of a motorway to serve it.

The optimism in Malaysia had a knock-on effect in Singapore, which was also encouraged by news that third-quarter gross domestic product had grown by 8.7 per cent. This led to an upward revision of about one percentage point in the official annual GDP growth forecast to 9 per cent.

Europe also had its winners, with Switzerland and Italy both making gains of 2.5 per cent, although volumes were moderate. The Swiss performance had its edgy moments, but the weaker dollar and reduced pressure on interest rates did help sentiment, while the Italian improvement reflected speculative activity, gains by De Benedetti companies and optimism about the car industry.

The Continent was also responsible for the world's worst performances, with Finland, Austria and Sweden making the sharpest falls. The main reasons for the Finnish decline were a surge in short-term interest rates to record levels, the poor economic background and fears of further bankruptcies among securities companies.

Austria resumed its downward path after the previous week's advance, but the market's latest fall still leaves it 54 per cent higher this year. Sweden, meanwhile, fell another 2.3 per cent, extending its losses over the past four weeks to 6.4 per cent as pessimism about rising interest rates and worries about the local economy strengthened their hold.

ASIA PACIFIC

Buying binge pushes Nikkei to another high

Tokyo

A FIRM yen, combined with a sustained enthusiasm for the equity market, led investors into a buying binge yesterday which took the Nikkei average to a fourth consecutive record high, *writes Michiyo Nakamoto in Tokyo.*

Share prices rose steadily throughout the day, the Nikkei average closing a mere fraction short of its day's high of 36,883.19 with a gain of 397.06 at 36,881.53. The low for the day was 36,487.70. Advances were far ahead of declines at 613 to 334, while 175 issues were unchanged.

Volume rose to 1bn shares, impressive for a Monday, from the 918m traded on Friday. The Topix index of all listed shares rose 35.78 to 2,795.38 and, in London, the ISE/Nikkei 50 index rose 3.58 to 2,110.36.

Share prices rose across a wide front. The outlook for interest rates in the US was very encouraging, while the likelihood of an increase in Japan's official discount rate has receded significantly. Recent stability on the currency front was supported by higher year-end bonuses and record *inflows into specialised* investment trusts. Index-linked buying boosted prices.

Yesterday's strong performance, however, was not given high marks all around. "The Nikkei index is up," said Mr Mitsuru Maekawa at Jardine Fleming Securities, "but the *contents are not so good.*"

Buying support was seen to derive more from short-term stimuli than the fundamentals – a case of investors jumping on a chance to make profits which they had not seen for a long time. In this context, it was questionable whether the market's upturn could be counted on to last through the year. "The difficult part," said Mr Maekawa, "is deciding what to do from here."

Investors sustained their enthusiasm in the face of the news that Daiwa Securities, the country's second largest brokerage house, had been obliged to shoulder stock trading losses, amounting to Y10bn, incurred by corporate clients from 1975 to 1980.

Reports that the Tokyo Stock Exchange and the Ministry of Finance were to investigate the matter sent Daiwa Securities' share price tumbling Y70 to Y2,480. Later, however, active buying by another leading broker supported a Y20 gain in Daiwa to see it close at Y2,570.

Elsewhere, the buying trend covered a broad range of laggards: heavily capitalised steels and non-ferrous metals saw renewed interest, helped by prospects of lower US interest rates and the rising price of gold, respectively.

Sumitomo Metal Industries, which topped the volumes list with 46.4m shares, added Y40 to Y830. Nippon Steel followed with a turnover of 40.2m shares and posted an advance of Y32 to Y799. NKK saw a similarly healthy rise of Y33 to Y798 in buoyant trading. Sumitomo Metal Mining, Japan's pre-eminent gold mining company, was the favoured gold issue and gained Y80 to Y2,290.

Underperformers were also in vogue in Osaka. The OSE average closed with a 198.49 rise to 37,838.85, volume improving to 108m shares from the 101m traded on Friday. Tateho Chemical Industries, which makes insulating materials for electric heaters, was pursued on reports that the company had won an order for high-technology material from the US Air Force. It closed at a year's high of Y1,400, up Y150.

Roundup

THERE WAS a lot of red ink about in the Asia Pacific region yesterday, but the gloom was broken by improvement in two siblings that are about to part company.

SINGAPORE looked at Wall Street and Tokyo, and posted its fifth consecutive gain. The Straits Times Industrial index closed 8.38 higher at 1,393.65 in volume of 69.4m shares and S$125.3m, down from 77.8m and S$144.5m previously.

According to James Capel yesterday, new listings on the SES may include a public offer of 400m shares in Sime Singapore, the Singapore arm of the Sime Darby group. The SES has also amended its listing manual to prevent Singapore companies listing in any exchange which prevents its locally incorporated companies from listing on the SES.

KUALA LUMPUR, where the KLSE is due to split with Singapore at the end of this year, fits that description. Not to be outdone, the KLSE composite index rose again yesterday, by 2.38 to 499.59.

Takeover talk produced a 14 cent rise to M$1.12 in Malaysian Resources, its turnover of 10.3m shares, the story being that a Hong Kong group is planning a bid. Resources, it happens, was also among the most active counters for the day in Singapore.

On the downside, Malaysian Airlines fell 70 cents to M$10.40, a fall of M$1.10 since its disappointing interim figures last Thursday.

AUSTRALIA gained nothing from Wall Street's strength on Friday and little enough from a US$7 surge in the gold price, to about US$420.90 at the stock market close.

The All Ordinaries index eased 1.8 to 1,614.1, reflecting the general pattern of the industrial sector, while the gold shares index put on 13.6 to 1,796.8. Turnover was subdued at 91m shares and A$148m, down from 128m and A$218m.

CRA, the leading mining issue which has been strong on zinc, coal and iron prospects, topped national turnover in 1.3m shares and slipped 18 cents to A$10.86. CRA was depressed about prospects at Bougainville, its copper mining associate, which is deciding whether to mothball its strife-torn copper mining operation in Papua New Guinea.

HONG KONG led the decline elsewhere with a drop of 31.43 to 2,771.10 in the Hang Seng index, its steepest fall for over five weeks; TAIWAN hit its lowest level since October 6, with the weighted index at 9,558.07, down 185.49 or 1.9 per cent; the MANILA composite index fell 17.32 to 1,352.10 and the SEOUL counterpart closed at 896.61, down 9.28.

SOUTH AFRICA

A FALL in the bullion price caused gold shares to close slightly easier in Johannesburg. The JSE all-gold index ended at a provisional 2,138, down 11 points, while the overall index was 4 points down on Friday's record high.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 24 1989						THURSDAY NOVEMBER 23 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.29	−0.8	137.86	123.31	−1.0	5.50	146.45	139.00	124.53	160.41	128.28	149.87
Austria (19)	145.74	+1.0	138.29	136.59	+0.3	1.78	144.31	136.97	136.24	172.22	92.84	99.05
Belgium (63)	146.55	+0.7	139.06	137.16	+0.1	4.04	145.51	138.11	137.07	146.55	125.58	135.37
Canada (122)	149.06	+0.4	141.44	126.02	+0.4	3.22	148.40	140.86	125.56	154.17	124.67	120.83
Denmark (36)	230.49	+0.8	218.71	219.91	+0.3	1.44	228.63	217.01	219.30	230.49	165.35	152.99
Finland (26)	119.32	+0.6	113.22	105.73	+0.0	2.67	118.63	112.60	105.70	159.16	118.63	134.60
France (126)	136.77	+1.2	129.77	132.16	+0.7	2.81	135.21	128.33	131.23	139.94	112.57	111.72
West Germany (96)	102.13	+1.8	96.90	95.84	+1.1	2.18	100.36	95.26	94.75	103.84	79.56	87.75
Hong Kong (46)	118.96	+0.4	112.88	119.31	+0.4	4.77	118.52	112.50	118.86	140.33	86.41	109.19
Ireland (17)	161.18	+1.1	152.93	155.39	+0.4	2.85	159.46	151.35	154.74	166.69	125.00	133.43
Italy (97)	91.97	+0.9	87.26	91.37	+0.4	2.60	91.14	86.51	91.01	98.73	74.97	88.36
Japan (455)	190.26	+1.5	180.53	172.52	+0.9	0.47	187.51	177.98	170.98	200.11	164.22	190.64
Malaysia (36)	202.54	+0.8	192.18	210.83	+0.7	2.52	200.97	190.75	209.52	209.22	143.35	142.07
Mexico (13)	287.89	+0.0	273.17	832.56	+0.0	0.62	287.89	273.26	832.56	326.61	153.32	180.19
Netherland (43)	129.32	+1.0	122.70	120.20	+0.3	4.42	128.10	121.59	119.79	131.72	110.63	110.27
New Zealand (18)	74.94	−0.6	71.11	67.71	−0.7	5.28	75.42	71.59	68.16	88.18	62.64	71.91
Norway (24)	172.97	+0.1	164.13	161.17	−0.2	1.68	172.88	164.09	161.44	196.39	139.92	126.36
Singapore (26)	163.24	+1.0	154.89	146.95	+0.7	2.04	161.68	153.47	145.96	170.62	124.57	121.12
South Africa (60)	173.29	+1.3	164.43	150.02	+0.9	3.80	171.04	162.35	148.66	173.29	115.35	125.71
Spain (43)	156.76	+1.2	148.74	137.46	+0.7	3.81	154.87	146.99	136.45	169.75	143.14	153.77
Sweden (35)	161.98	+0.0	153.70	153.95	−0.1	2.23	161.95	153.72	154.04	188.94	138.45	135.28
Switzerland (64)	89.17	+1.1	84.61	89.28	+1.0	2.12	88.22	83.74	88.39	94.16	67.81	80.82
United Kingdom (305)	141.65	+0.1	134.41	134.41	+0.1	4.57	141.48	134.29	134.29	158.41	133.28	138.58
USA (546)	139.64	+0.6	132.50	139.64	+0.6	3.33	138.83	131.78	138.83	146.29	112.13	108.92
Europe (994)	126.61	+0.8	120.14	119.74	+0.5	3.51	125.66	119.27	119.21	132.95	112.63	115.61
Nordic (121)	166.89	+0.4	158.36	152.23	+0.1	1.87	166.25	157.80	152.12	178.38	137.95	130.67
Pacific Basin (668)	185.73	+1.4	176.23	168.42	+0.8	0.72	183.22	173.91	167.03	194.72	160.44	185.69
Euro – Pacific (1662)	162.16	+1.2	153.87	146.95	+0.7	1.61	160.28	152.13	147.90	166.98	141.56	157.64
North America (668)	140.10	+0.6	132.94	138.78	+0.6	3.32	139.30	132.22	138.00	146.66	112.79	109.55
Europe Ex. UK (689)	116.29	+1.2	110.34	110.68	+0.7	2.80	114.93	109.08	109.91	118.51	96.30	101.14
Pacific Ex. Japan (213)	131.40	−0.3	124.68	117.63	−0.4	4.90	131.73	125.03	118.09	140.05	111.93	126.51
World Ex. US (1857)	161.89	+1.1	153.61	148.41	+0.7	1.68	160.05	151.91	147.39	166.35	141.49	156.05
World Ex. UK (2098)	154.01	+1.0	146.13	146.51	+0.7	1.99	152.42	144.67	145.47	156.04	136.98	137.96
World Ex. So. Af. (2343)	152.76	+1.0	144.95	145.33	+0.7	2.19	151.30	143.61	144.38	155.92	136.67	138.08
World Ex. Japan (1948)	135.14	+0.6	128.23	131.40	+0.5	3.46	134.32	127.49	130.76	140.43	114.51	112.65
The World Index (2403)	152.88	+1.0	145.07	145.36	+0.7	2.20	151.42	143.72	144.40	155.89	136.68	138.00

Latest prices were unavailable for this edition.